

# **Knowledge Strategies in the Tasmanian Legal Profession**

by

**Jonathan Campton**

Completed in partial requirement

of the degree of

**Bachelor of Information Systems (Honours)**



A dissertation submitted to the

**School of Information Systems**

**University of Tasmania**

## STATEMENT OF AUTHENTICITY

This thesis contains no material which has been accepted for the award of any degree or diploma by the University of Tasmania or any other tertiary institution, except by way of background information and duly acknowledged in this dissertation, and to the best of the candidate's knowledge and belief, this thesis contains no material previously published or written by another person, except where due acknowledgment is made in the text of the thesis.

This thesis may be made available for loan and/or limited copying in accordance with the *Copyright Act 1968*.

Jonathan Campton

August, 2000.

**ABSTRACT**

This thesis examined approaches used by three large Tasmanian legal firms to manage knowledge as a strategic asset. Adopting an interpretivist philosophy with the accompanying qualitative methodology, the study consisted of an in depth investigation of literature, followed by nine semi-structured interviews, general conversation and observation within three large Tasmanian legal firms. The nine interviews were a priori coded.

The findings from the investigation supported the existence of two knowledge strategies as indicated in the literature. The first is a codification strategy where explicit knowledge is placed on a computerised Knowledge Management System (KMS). The second is a personalisation strategy where knowledge workers convert tacit knowledge in networks referred to as 'miniecologies' (Sveiby, 1997) or 'Communities of Practice (CoPs)' (Davenport & Prusak, 1998).

The results of this research indicated that large Tasmanian law firms prefer a personalisation strategy, which appears to be contrary to the literature from America and Europe where law firms are adopting codification strategies. Consequentially this research challenges large Tasmanian law firms not to merely select the dominant knowledge strategy presented in American and European literature, but rather to carefully select the most appropriate strategy for their organisational requirements.

## ACKNOWLEDGMENTS

The one difficulty in extending an honours year is that there are so many more people to thank!

Firstly, thanks goes to my supervisor Leonie Thomas, who has provided so much time and energy into ensuring my efforts went in the right direction. It has been a pleasure to work with you as my supervisor, friend and work colleague. I thank you for all your help, even when I wasn't so keen to hear about it!

Secondly thanks goes to the senior partners at all three firms, without your assistance this research would not have been able. A special thanks goes to my 'informant' who provided me with initial access to the field and a great deal of valuable knowledge.

To all at the School of Information Systems I have enjoyed my time here, thanks for making it memorable. To the honours student of 1999 and 2000 you have all made your impressions. To Chris Keen, congratulations on the School of Information Systems, it a credit to all your hard work and dedication. To all staff who have provided help, inspiration or just a friendly face, thank you. Special thanks to Judy Young for the hours she spent proof reading this.

Mum and Dad, thanks for all the support. To my grandparents and great grandmother, you have all been a constant encouragement in my studies and I thank you for your unconditional love. To my brother Luke, *Go the Hawks!* To my sister Emma, I think you can be the first doctor in the house. To my other sister Elisabeth, who tried to tape *The Bill* for me, may you enjoy you education at Friends, as much as I enjoyed my honours year. To my friend Shirty thanks for just being there!

*Education destroys ignorance and teaches people to ferret out the truth.*

*Anon*



# TABLE OF CONTENTS

<b>CHAPTER ONE – INTRODUCTION .....</b>	<b>11</b>
1.1 INTRODUCTION .....	11
1.2 RESEARCH OBJECTIVES .....	11
1.3 RESEARCH QUESTION .....	11
1.4 ORIGINALITY AND JUSTIFICATION .....	11
1.5 DEFINITIONS .....	12
1.6 THESIS STRUCTURE.....	12
1.6.1 Chapter Two - Literature Review .....	13
1.6.2 Chapter Three - Methodology .....	13
1.6.3 Chapter Four - Analysis .....	13
1.6.4 Chapter Five - Discussion .....	13
1.6.5 Chapter Six - Findings and Future Research .....	14
<b>CHAPTER TWO – LITERATURE REVIEW .....</b>	<b>15</b>
2.1 INTRODUCTION .....	15
2.1.1 Goals of the Literature Review .....	15
2.2 KNOWLEDGE MANAGEMENT .....	15
2.2.1 Why the Emergence of Knowledge Management?.....	16
2.2.2 Objectives of Knowledge Management.....	17
2.2.3 How Knowledge Management differs from other Theories .....	17
2.2.4 Knowledge Management and the Knowledge Economy.....	19
2.3 KNOWLEDGE.....	19
2.3.1 Contextual.....	20
2.3.2 Infinite.....	20
2.3.3 Personal.....	20
2.3.4 Power.....	21
2.4 LEGAL KNOWLEDGE .....	21
2.4.1 Academic .....	21
2.4.2 Applied.....	22
2.4.3 Property.....	23
2.4.4 One-sided.....	23
2.5 TACIT AND EXPLICIT KNOWLEDGE .....	23
2.6 KNOWLEDGE CONVERSION .....	25
2.6.1 Externalisation.....	25
2.6.2 Combination .....	26
2.6.3 Internalisation .....	27

2.6.4	<i>Socialisation</i> .....	27
2.7	KNOWLEDGE ORGANISATIONS.....	28
2.7.1	<i>Characteristics</i> .....	28
2.7.2	<i>Knowledge Sharing Culture</i> .....	29
2.7.3	<i>Construction of a Knowledge Organisation</i> .....	32
2.8	MEASURING AND MANAGING INTANGIBLE ASSETS .....	33
2.8.1	<i>Measuring Intangible Assets</i> .....	33
2.8.2	<i>Managing Intangible Assets</i> .....	36
2.9	KNOWLEDGE STRATEGIES .....	39
2.9.1	<i>Players in Knowledge Strategies</i> .....	41
2.9.2	<i>Types of Strategies</i> .....	41
2.10	CHAPTER SUMMARY .....	44
<b>CHAPTER THREE – RESEARCH DESIGN &amp; METHODOLOGY .....</b>		<b>46</b>
3.1	INTRODUCTION .....	46
3.2	RESEARCH PHILOSOPHY .....	46
3.2.1	<i>Ontological Position</i> .....	46
3.2.2	<i>Epistemological Position</i> .....	47
3.3	RESEARCH METHODOLOGY .....	48
3.3.1	<i>A Qualitative Research Methodology</i> .....	49
3.4	DATA COLLECTION AND ANALYSIS .....	49
3.4.1	<i>Scope</i> .....	49
3.4.2	<i>Objectives</i> .....	50
3.4.3	<i>Methods of Data Collection</i> .....	50
3.4.4	<i>Analysis</i> .....	55
3.4.5	<i>Replication and Validity</i> .....	59
3.4.6	<i>Pre-Judgements and Bias</i> .....	62
3.5	CHAPTER SUMMARY .....	62
<b>CHAPTER FOUR – ANALYSIS .....</b>		<b>63</b>
4.1	INTRODUCTION .....	63
4.2	FIRM A.....	63
4.2.1	<i>Knowledge Conversion</i> .....	64
4.2.2	<i>Knowledge Sharing Culture</i> .....	68
4.2.3	<i>Recognising Intangible Assets</i> .....	69
4.2.4	<i>Measuring Intangible Assets</i> .....	70
4.2.5	<i>Managing Intangible Assets</i> .....	70
4.2.6	<i>Knowledge Strategy</i> .....	72
4.3	FIRM B.....	72
4.3.1	<i>Knowledge Conversion</i> .....	73
4.3.2	<i>Knowledge Sharing Culture</i> .....	78

---

4.3.3	<i>Recognising Intangible Assets</i> .....	79
4.3.4	<i>Measuring Intangible Assets</i> .....	80
4.3.5	<i>Managing Intangible Assets</i> .....	81
4.3.6	<i>Knowledge Strategy</i> .....	85
4.4	<b>FIRM C</b> .....	86
4.4.1	<i>Knowledge Conversion</i> .....	86
4.4.2	<i>Knowledge Sharing Culture</i> .....	89
4.4.3	<i>Recognising Intangible Assets</i> .....	89
4.4.4	<i>Measuring Intangible Assets</i> .....	91
4.4.5	<i>Managing Intangible Assets</i> .....	91
4.4.6	<i>Knowledge Strategy</i> .....	94
4.5	<b>CHAPTER SUMMARY</b> .....	95
<b>CHAPTER FIVE – DISCUSSION</b> .....		<b>96</b>
5.1	<b>INTRODUCTION</b> .....	96
5.2	<b>KNOWLEDGE CONVERSION</b> .....	97
5.2.1	<i>Externalisation</i> .....	97
5.2.2	<i>Combination</i> .....	98
5.2.3	<i>Internalisation</i> .....	100
5.2.4	<i>Socialisation</i> .....	101
5.2.5	<i>Summary of Knowledge Conversion</i> .....	108
5.3	<b>KNOWLEDGE ORGANISATION</b> .....	111
5.3.1	<i>Knowledge Sharing Culture</i> .....	111
5.3.2	<i>Recognition of Intangible Assets</i> .....	113
5.3.3	<i>Measuring Intangible Assets</i> .....	119
5.3.4	<i>Managing Intangible Assets</i> .....	121
5.3.5	<i>Summary of Knowledge Organisation</i> .....	123
5.4	<b>KNOWLEDGE STRATEGY</b> .....	125
5.4.1	<i>General Practices</i> .....	125
5.4.2	<i>Specialist Practices</i> .....	126
5.4.3	<i>Summary of Knowledge Strategy</i> .....	127
<b>CHAPTER SIX – FINDINGS AND FUTURE RESEARCH</b> .....		<b>129</b>
6.1	<b>INTRODUCTION</b> .....	129
6.2	<b>FINDINGS</b> .....	129
6.2.1	<i>Knowledge Conversion</i> .....	129
6.2.2	<i>Knowledge Organisation</i> .....	130
6.2.3	<i>Knowledge Strategies</i> .....	130
6.2.4	<i>Selection of Knowledge Strategies</i> .....	132
6.2.5	<i>Recommendations</i> .....	136
6.3	<b>ACHIEVEMENTS OF THIS STUDY</b> .....	137

---

6.4 FUTURE RESEARCH.....	137
<b>BIBLIOGRAPHY.....</b>	<b>139</b>
<b>APPENDIX 1 – QUESTIONS .....</b>	<b>150</b>
<b>APPENDIX 2 – INTRODUCTORY PHONE SCRIPT.....</b>	<b>151</b>
<b>APPENDIX 3 – INTERVIEW TRANSCRIPT .....</b>	<b>152</b>
<b>APPENDIX 4 – THANK YOU LETTER.....</b>	<b>161</b>

---

## LIST OF FIGURES

---

FIGURE 2-1 KNOWLEDGE MANAGEMENT AND BUSINESS PROCESS RE-ENGINEERING .....	18
FIGURE 5-1 RELATIONSHIP BETWEEN SECTIONS CONTAINED IN CHAPTER FOUR AND PARTS CONTAINED IN CHAPTER FIVE.....	96
FIGURE 5-2 EXTERNALISATION .....	97
FIGURE 5-3 COMBINATION.....	98
FIGURE 5-4 INTERNALISATION .....	100
FIGURE 5-5 SOCIALISATION .....	101
FIGURE 5-6 HOW KNOWLEDGE CONVERSION RELATES TO KNOWLEDGE STRATEGY.....	109
FIGURE 5-7 CATEGORIES OF EMPLOYEES IN A LAW FIRM.....	115
FIGURE 5-8 EXTERNAL STRUCTURE OF LAW FIRM.....	116
FIGURE 6-1 INDUSTRIAL PARADIGM AND KNOWLEDGE PARADIGM.....	130
FIGURE 6-2 PARADIGMATIC AND STRATEGIC PLACEMENT .....	131

## LIST OF TABLES

TABLE 2-1 DIFFERENCES BETWEEN EXPLICIT AND IMPLICIT KNOWLEDGE .....	24
TABLE 2-2 2X2 CONTINGENCY TABLE DISPLAYING METHODS OF CONVERSION BETWEEN TACIT AND EXPLICIT KNOWLEDGE, ADAPTED FROM SVEIBY (1997).....	25
TABLE 2-3 APPROACHES TO OVERCOMING CULTURAL BARRIERS, ADAPTED FROM AMERICAN PRODUCTIVITY AND QUALITY CENTER (2000) .....	30
TABLE 2-4 DIFFERENCES BETWEEN KNOWLEDGE STRATEGIES, ADAPTED FROM HANSEN, NOHRIA AND TIERNEY (1999).....	42
TABLE 3-1 TABLE OF PARADIGMS WITH RELATING ONTOLOGICAL POSITIONS.....	47
TABLE 3-2 TABLE OF PARADIGMS WITH RELATING EPISTEMOLOGICAL POSITIONS .....	48
TABLE 3-3 OPEN CODES, AXIAL CODES, CORE CATEGORIES AND THEMES .....	56
TABLE 5-1 REGULARITY THAT ISSUES RELATING TO LAW ENTERS INTO CONVERSATION .....	105
TABLE 5-2 KNOWLEDGE CONVERSION AT FIRMS A, B AND C .....	110
TABLE 5-3 RECOGNITION OF INTANGIBLE ASSETS BY INTERVIEWEES .....	114
TABLE 5-4 LAW FIRMS AS KNOWLEDGE ORGANISATIONS .....	123
TABLE 5-5 INFORMAL KNOWLEDGE STRATEGY EMPLOYED AT LAW FIRMS .....	127

## CHAPTER ONE – INTRODUCTION

### 1.1 Introduction

Chapter One begins by providing the objectives of the research and the formulated research question. A brief summary of the methodology follows. The originality and justification of the research is then discussed, before definitions of key terms are examined. Finally the structure of the dissertation is revealed.

### 1.2 Research Objectives

Three research objectives were created:

1. To examine how legal professionals exchange knowledge.
2. To find out if Tasmanian law firms perceived themselves as knowledge organisations.
3. To discover if Tasmanian law firms demonstrated evidence of using a knowledge strategy.

### 1.3 Research Question

To meet the objectives the following research question was created:

“What type of knowledge strategy is best selected by large Tasmanian law firms?”

### 1.4 Originality and Justification

This research is important as presently there exists a lack of empirical research on knowledge management (Gottschalk, 2000a). While many authors have produced books about knowledge management (Davenport & Prusak, 1998; O'Dell & Grayson, 1998; Sveiby, 1997), little research has been conducted in the area. The present research aims to supplement existing literature on knowledge management. Furthermore this research aims to develop a body of knowledge concerning

knowledge strategies in the legal profession, an area that has not yet been researched. While small amounts of literature exist on knowledge management in the legal profession, no literature concerning knowledge strategies (Hansen, Nohria & Tierney, 1999) in the legal profession exist. As such, this research is original and holds genuine importance.

## **1.5 Definitions**

The Literature Review is used to define all key terms, however to avoid confusion it is important to highlight two chosen terms:

### **Knowledge Conversion**

The term 'knowledge conversion' is in principle the same as 'knowledge transfer'. The term knowledge conversion is used in preference for two reasons. Firstly the word 'transfer' implies that an object is moved from position A to position B without change. This does not adequately describe a knowledge flow. Knowledge is dynamic and changes as it flows. The word 'conversion' better recognises this characteristic of knowledge. Secondly the work of Sveiby (1997) is relied on strongly in the present research and Sveiby prefers the use of the term knowledge conversion.

### **Knowledge Strategies**

Zack (1999a) and Hansen, Nohria and Tierney (1999) first used the term knowledge strategies. Knowledge strategies could be better called knowledge management strategies, however 'knowledge strategy' remains the dominant term and will be used in this research.

## **1.6 Thesis Structure**

Chapter One introduced the research by clearly stating the research objectives and the research question. Originality has been shown and justification provided for the research. The following five chapters will fully unpack and explore the research conducted. A brief structural break down of the remaining five chapters follows:



### **1.6.1 Chapter Two – Literature Review**

Chapter Two is a literature review designed to demonstrate a level of familiarity with the current body of knowledge. It begins by looking at knowledge management as a 'new' theory and how it differs from other business theories. It then attempts to provide a definition of 'knowledge' and 'legal knowledge'. Forms of knowledge conversion are then explored, before an examination of the knowledge organisation takes place. Finally, knowledge strategies are discussed.

### **1.6.2 Chapter Three – Methodology**

Chapter Three is the research design and methodology chapter. The chosen interpretivist research philosophy is declared and the accompanying qualitative research methodology given. The methods for data collection are outlined; semi-structured interviews, observation and conversation. Interviews are the primary method of data collection. Interviews are conducted on three employees at each of three law firms, thus providing nine interviews in total. All the interviews are coded and chapter three includes a discussion of coding methods. Chapter Three also discusses issues of replication and validity.

### **1.6.3 Chapter Four – Analysis**

Chapter Four provides the analysis of the nine interviews, the conversation and observation. Each firm is analysed separately, as each firm is a separate knowledge sharing ecology. The analysis of each of the three firms contains six sections that emerged from the literature review, they are: knowledge conversion, knowledge sharing culture, recognising intangible assets, measuring intangible assets, managing intangible assets and knowledge strategy.

### **1.6.4 Chapter Five – Discussion**

Chapter Five is a discussion of the analysis. The six sections in the analysis are reduced down to three sections in the discussion. The generalisations and divergences across the three firms are then explored.

### **1.6.5 Chapter Six – Findings and Future Research**

Chapter Six builds on the discussion and provides the findings of the research. This chapter also states some of the achievements of the research and provides possible ideas for future research.

## CHAPTER TWO – LITERATURE REVIEW

### 2.1 Introduction

Chapter Two reports a review of the literature conducted to provide a theoretical basis for this research. It is proposed that this will demonstrate that the research is based in a recognised and pre-existing area of knowledge in the larger academic community.

#### 2.1.1 *Goals of the Literature Review*

Neuman (1997) gave four goals for a literature review, they were to:

1. Demonstrate a familiarity with a body of knowledge and establish credibility.
2. Show the path of prior research and how the current project is linked to it.
3. Integrate and summarise what is known in an area.
4. Learn from others and stimulate new ideas.

This literature review presented in this chapter was created with consideration to these goals.

### 2.2 Knowledge Management

Knowledge management is nothing new. For hundreds of years, owners of family businesses have passed their commercial wisdom on to their children, master craftsmen have painstakingly taught their trades to apprentices, and workers have exchanged ideas and know-how on the job. But it wasn't until the 1990's that chief executives started talking about knowledge management. As the foundation of industrialized economies has shifted from natural resources to intellectual assets, executives have been compelled to examine the knowledge underlying their businesses and how that knowledge is used (Hansen, Nohria & Tierney, 1999: 106).

No single definition of knowledge management exists, but the term is used generally to refer to the unlocking and leveraging of organisational knowledge (Gottschalk, 2000b). Knowledge management is not a radical new concept, nor is it just another

management fad (Rowley, 1999), "For most organisation, KM represents a continuum of efforts begun in other times with other names..." (O'Dell & Grayson, 1988: 6).

Knowledge management is the recognition of a framework that extends on past lessons and creates a new system to exchange knowledge. By consciously recognising and approaching knowledge in a structured manner organisations can better manage, that is, gain greater sustainability of their knowledge (Sveiby, 1996).

### ***2.2.1 Why the Emergence of Knowledge Management?***

Organisations are now aware that "...the key to wealth creation is shifting from tangibles to intangible" (James, 1999d: 180). "Simply put, knowledge has become more important for organizations than financial resources, market position, technology, or any other company asset" (Marquardt, 1996: 6). What has occurred is a paradigmatic shift in organisational thinking from the 'Industrial Paradigm' to 'Knowledge Paradigm' (Sveiby, 1997). Managers in the old industrial paradigm had no trouble managing the easily quantifiable goods and services, however the knowledge paradigm has changed the rules. Employees are no longer cost generators but revenue generators, the organisational hierarchy has been levelled and the focus moved from 'hard facts and figures' to intangibles like organisational learning, client relationships, research and development. Unlike information and data which both remain static, knowledge is fluid and therefore flexible to change. For this reason Malhotra (1998a: 2) suggests "Knowledge management is necessary for companies because what worked yesterday may or may not work tomorrow."

In a report written by American Productivity and Quality Center (1996) nine other identified reasons for the rapid emergence of KM are suggested:

1. Organisations have become aware that as a consequence of downsizing, restructuring and outsourcing many 'unsung experts' have been lost.
2. Massive investments in IT have allowed for new ways to create and capture knowledge in an organisation.
3. Contact with the clients is occurring more at all levels of the organisation, yet information gained is grossly under utilised.

4. As employees become more empowered to solve localised problems, new solutions are often formed that fail to be shared.
5. Internal and external benchmarking has forced firms to think about finding and adopting best practices.
6. Globalisation of workforces means that solutions have to be found about how knowledge can be shared from offices in different countries.
7. Clients are demanding that company knowledge is more available to them.
8. Collaborative activities requiring workers to share information are being conducted more often.
9. The need for increased speed of response and reduced cycle time means that organisations can no longer afford to 'reinvent the wheel'.

### ***2.2.2 Objectives of Knowledge Management***

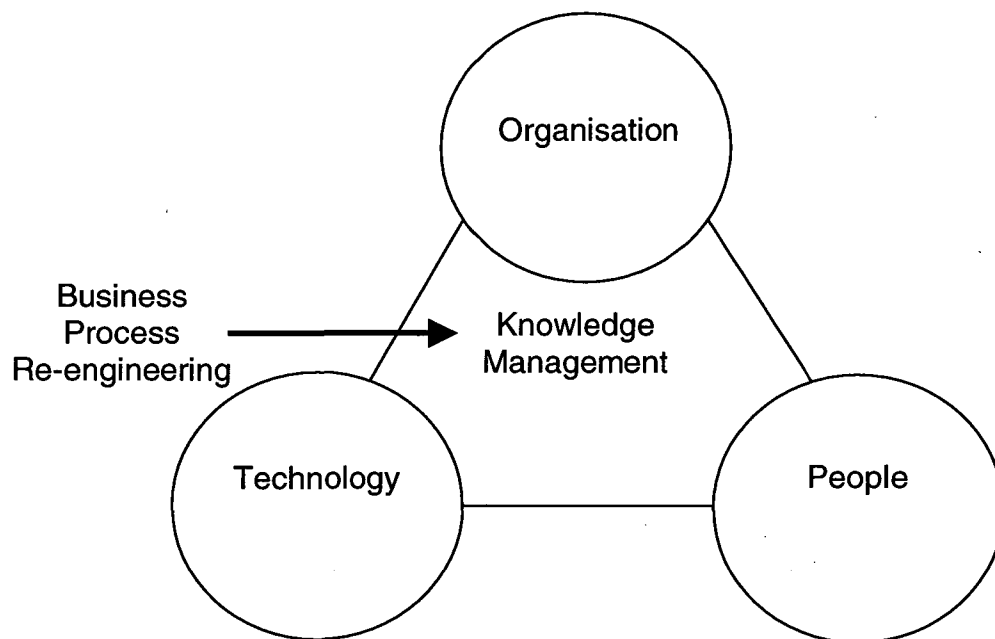
In another report written by the American Productivity and Quality Center (1998a) they suggested the four objectives of knowledge management to be:

1. Exploiting existing knowledge in the best possible way.
2. Renewing the knowledge of individuals and enterprises based on internal and; external learning processes.
3. Transforming individual knowledge into the structural capital of the enterprise.
4. Transforming the business strategy based upon existing core competencies and capabilities.

### ***2.2.3 How Knowledge Management differs from other Theories***

Unlike other process-improvement methods, KM does not rely on technology to make the process more efficient. It relies on recognising the knowledge resident in people's minds, using technology to facilitate its sharing, not replace its human origins. (O'Dell & Grayson, 1998:10)

The emphasis on people not processes makes knowledge management a progressive theory in an age that holds dearly to industrial principles. The recognition of intangible assets like a firm's employees and clients is something that has been abandoned by previous theories like Business Process Reengineering (BPR). Figure 2-1 shows how knowledge management, unlike BPR takes account of all three constructs of information systems.



**Figure 2-1 Knowledge Management and Business Process Re-engineering**

BPR consultants promised huge rewards if they [firms] exchanged people for computerised processes. But by dispensing with people, firms were unwittingly eroding their knowledge base. Many sacrificed large numbers of people on the altar of BPR, only to find they created chaos and alienated their most competent employees (O'Dell & Grayson 1998: 32).

Lucieur and Torsilieri (1999: 78) wrote that while BPR has been effective in factories and some service industries like McDonalds:

...this approach has not resulted in sustained improvements in sales, or in work that requires specific expertise, such as marketing, *legal*, credit, treasury, engineering or customer service – functions that are more about making decisions rather than merely executing tasks. [Italics added]

Knowledge management recognises the wealth contained in employees and is concerned with exploiting the existing knowledge base to its fullest potential.

### **2.2.4 Knowledge Management and the Knowledge Economy**

A term widely used in knowledge management literature is 'Knowledge Economy'. Generally it is used to define two existing economies.

1. The economy generated by intelligent workers creating products where knowledge provides the key raw material. For example, a report written by a management consultancy group is a knowledge product (James, 1999d; Marquardt, 1996).
2. The economy generated from the education of intelligent workers. In this regard it should be noted that education this century, as a percentage of the Gross Domestic Product (GDP), has risen from 1.9% to 4.2% (Ruthven, 1999).

For the purposes of this research the first definition of knowledge economy will be utilised, however it should be noted that the term 'knowledge economy' is capable of incorporating both of the above definitions.

## **2.3 Knowledge**

To successfully manage knowledge it is critical to understand 'knowledge' (Fahey & Prusak, 1998). Knowledge is a complex term and suffers from many broad ranging definitions such as: information, facts, data, awareness, skill, insight, understanding, competence, know-how, knowing, cognition, sapience, acquaintance, familiarity, cognisance, science, expertise, experience, practical ability, action, capability, learning, intelligence, wisdom and certainty. Thankfully as the philosopher Wittgenstein finally concluded, those who attempt to express knowledge in words are wasting their time (cited in Sveiby, 1997). Instead of defining 'knowledge' people should attempt to understand some of its characteristics. That is, knowledge is:

- Contextual;
- Infinite;
- Personal;

- Power.

### **2.3.1 Contextual**

While it is difficult to separate the characteristics of information and knowledge (Davenport & Prusak, 1997) and there exist many 'grey areas' (Wiig, 1996), the most commonly recognised difference is context. Information, given context, becomes knowledge (Bellinger, 2000a). Context refers to the relationship between the sender and receiver. Where the receiver relies upon the sender to decipher the message there exists context and such a message constitutes knowledge (Sveiby, 1997). Therefore knowledge is not a 'stock' but a 'flow' (Fahey & Prusak, 1998). While the stock perspective dominates organisational thinking, success in knowledge management will only be arrived at if knowledge is thought of as a 'flow' in constant flux and change. Sveiby (1997) understood knowledge as a flow or an action and thus defined it rather cryptically as 'a capacity to act'.

### **2.3.2 Infinite**

Knowledge is an infinite resource (Kim & Mauborgne, 1999) being both renewable and reusable (Gottschalk, 2000a). It does not deteriorate with use, but actually grows (Marquardt, 1996). Knowledge extends as it is applied to new situations, concepts and environments. It is constantly in a state of flux with new knowledge capable of being formed at anytime (Sveiby, 1997).

### **2.3.3 Personal**

In the middle of the last century, Karl Marx noted that the worker of his day, unlike the craftsman and the small farmer of previous generations, no longer owned the tools of his trade or the product of his labour. In Marx's terms, he was "alienated" and "estranged" from his work. ... But in the age of intellectual capital, the most valuable parts of those jobs have become the most essential human task: sensing, judging, creating, building relationships. Far from being alienated from the tool of his trade and the fruit of his labour, the knowledge worker carries them between his ears (Stewart, 1997: 50).

Knowledge is personal (O'Dell & Grayson, 1998; Sveiby, 1997) but formed in a social context (Polanyi, 1958). It should be remembered since knowledge is personal,



creating and sharing knowledge can never be forced on workers (Kim & Mauborgne, 1997).

### **2.3.4 Power**

Davenport (1998), rooted in his belief that knowledge is not always personal, suggested that knowledge is power. Most authors avoided suggesting knowledge is power, largely because many of the characteristics of knowledge seem to work against the classic understandings of power. The idea of knowledge being power and knowledge being personal presents an obvious inconsistency. This research ignores power as a characteristic of knowledge, in preference for a less unambiguous understanding of knowledge as personal.

## **2.4 Legal Knowledge**

It is widely recognised that law firms are a ready-made scenario for knowledge management (Gottschalk, 2000a; Lamb, 1999; Mitchell, 2000) but so as to understand how knowledge management can be used, it is important to understand the further characteristics of legal knowledge. Apart from the three characteristic of knowledge (contextual, infinite and personal, the characteristic of power being discounted), legal knowledge has the following added characteristics:

- Academic;
- Applied;
- Personal Property;
- One-sided.

### **2.4.1 Academic**

Edwards and Mahling (1997, cited by Gottschalk, 2000a: 72) referred to this component of legal knowledge as 'declarative knowledge', that "...is the knowledge of the law, the legal principles contained in statutes, court opinions and other sources of primary legal authority." Rogovsky (1998) referred to it as academic knowledge. That is, the knowledge required to operate in accordance to the rules of law and rules

of practice. Such rules can easily be taught at law schools as they are normally explicit, but their application is far more difficult.

### **2.4.2 Applied**

Marchant and Robinson (1999) suggested that legal knowledge is not just knowing the law, but also knowing how to use the law.

Legal expertise is then defined as the ability gained from experience to understand and apply the rules, statutes, and legal principles to a novel problem by using previously decided authorities to build a legal argument (Marchant & Robinson, 1999: 4).

Edwards and Mahling (1997, cited by Gottschalk, 2000a) referred to this as 'procedural knowledge' and 'analytical knowledge', while Rogovsky (1998) preferred to use the term 'issue specific expertise'. Generally, what they are referring to is a higher level of knowledge that is arrived at with experience.

One doesn't suddenly say to oneself, "Now I know how to choose from relevant authorities which is the most persuasive!" That knowledge isn't attributable to an identifiable event whether listening to another lawyer's effective argument or brooding over losing a case. Rather, it grows on one, only partly sensed, until one day one hangs one's hat on a specific case, eliminates every issue but one, at first with apprehension and then with growing confidence (Spaeth, 1999: 32).

Sveiby (1997) suggested that knowledge combined with experience forms 'competence' - a word that some authors are now adopting when examining knowledge. Judge Spaeth (1999, p33) agreed, saying that legal knowledge is best developed in practice "An experienced lawyer, for example, will prepare and present a case very differently than will an inexperienced lawyer" and this is greatly to do with their legal knowledge. As a lawyer gains more applied knowledge the lawyer will feel less constrained by their academic knowledge. Sveiby (1998: 37) wrote "The mark of a true expert is not the ability to recite and apply rules but the confidence to break and replace them with better rules." Marchant and Robinson (1999) suggested that real legal knowledge is when a lawyer is capable of breaking the 'rules' and creating new precedence.

### **2.4.3 Property**

Lawyers go beyond understanding legal knowledge as personal, to recognising legal knowledge as property. From principles that lawyers are taught in Intellectual Property (IP) they can appreciate that their knowledge holds characteristics of property and thus financial value (Carayannis & Alexandeer, 1999). Given the high cost of legal education, particularly in the USA, lawyers have no difficulty viewing legal knowledge as valuable property (Boisot & Griffiths, 1999).

### **2.4.4 One-sided**

The adversarial nature of the legal system means that legal knowledge is developed in a very one-sided manner. Lawyers thinking they are ‘...combatants in a quest to win’ will normally only examine a legal issue from the perspective of their client (Marchant & Robinson, 1999:17) and therefore legal knowledge is not always fully formed.

## **2.5 Tacit and Explicit Knowledge**

While there exist many ways to classify knowledge (Fahey & Prusak, 1998; Gottschalk, 2000a; O’Dell & Grayson, 1998; Zack, 1999a; Zack, 1999b) the only classification scheme that has any general acceptance is between explicit and tacit knowledge. Since knowledge is a flow, explicit and tacit are used to describe how that flow exists (Fahey & Prusak, 1998). Gottschalk (2000a: 71) suggested authors are too concerned with explicit and tacit knowledge, particularly as “...knowledge may shift dynamically between tacit and explicit over time”. However Gottschalk in a later article (2000b) confuses ‘knowledge’ by firstly suggesting articulated knowledge is information and later suggesting that articulated knowledge is explicit knowledge, thus proving the importance of understanding tacit and explicit knowledge.

Table 2-1 shows the many differences between explicit knowledge and tacit knowledge. Explicit knowledge can be easily articulated and can exist independently of the provider, an example would be a written memorandum directing staff how to use a new digital photocopier. Tacit knowledge involves unarticulated abilities that are dependent upon the knowledge provider, an example of this may be the

knowledge of a samurai sword maker. Such knowledge may not even be able to be put into words, but rather be expressed by demonstration and teaching. The expression of this knowledge is slow in nature, yet dynamic in presentation. Tacit knowledge is not easy to mass-produce, hence a samurai sword maker usually only teaches a small number of apprentices in his lifetime. While explicit knowledge has time and cost benefits, tacit knowledge can not be captured easily and thus is highly strategic.

**Table 2-1 Differences between Explicit and Implicit Knowledge**

Explicit	Tacit
Articulable	NON-ARTICULABLE
Independent of teacher	Dependant on teacher
Quick	Slow
Schematic	Rich
Observable	Non - observable
Easily recordable	Difficult to record
Easy to mass distribute	Often passed in a one-to-one relationship

Xerox (1998) released a report conducted by the Delphi Group that stated 58% of an organisation's knowledge is explicit knowledge. However it should also be noted, that Xerox is a key stakeholder in digital documentation and therefore is naturally prone to extolling the value of explicit knowledge. Organisations often overemphasise explicit knowledge and fail to recognise tacit knowledge resources. Explicit knowledge is playing an increasingly larger role in organisations (Zack, 1999b), but only because organisations cannot understand tacit knowledge and when they do, they cannot fathom its real value (Fahey & Prusak, 1998). "Tacit knowledge is the means by which explicit knowledge is captured, assimilated, created, and disseminated." (Fahey & Prusak, 1998: 268) and is therefore of greater importance.

## 2.6 Knowledge Conversion

Knowledge conversion is the transmission of knowledge between the two forms of knowledge (tacit and explicit). Some authors talk about 'knowledge transfer' (Davenport & Prusak, 1998), however 'conversion' (Sveiby, 1997) is perhaps a more suitable word as knowledge is personal and is never truly 'separated' or 'transferred' from its owner (James, 1999d). Instead, knowledge is converted or renewed into a new form with the residual knowledge remaining with the owner. While the word 'conversion' still does not adequately describe the flow, it does encourage the reader to think more about what is occurring than the word 'transfer' does. Table 2-2 shows the methods in which knowledge can be converted. Each of the four methods of knowledge conversion (externalisation, combination, internalisation and socialisation) will be briefly discussed:

**Table 2-2 2x2 Contingency Table Displaying Methods of Conversion between Tacit and Explicit Knowledge, Adapted from Sveiby (1997)**

		To	
		Tacit Knowledge	Explicit Knowledge
From	Tacit Knowledge	Socialisation	Externalisation
	Explicit Knowledge	Internalisation	Combination

### 2.6.1 Externalisation

Externalisation is the conversion of tacit knowledge into explicit knowledge. This form of knowledge conversion, while common, is not desirable as it turns dynamic knowledge into static knowledge. Often referred to as 'codification' (Davenport & Prusak, 1998), examples would be turning knowledge into a letter, a manual, a memorandum or a book. By externalising tacit knowledge it loses some of its contextual existence and can become distorted, thus externalising deep tacit knowledge is next to useless (Sveiby, 1997). Prusak (Davenport & Prusak, 1998a) gave an example from his childhood when he could not hit a ball. His father not being able to teach him baseball purchased 'The Art of Hitting' a book written by

baseball legend Ted Williams. Prusak said that while his father's gesture was kind, the book was useless, as the difficult 'art' of hitting a ball could never be externalised.

### **2.6.2 Combination**

Combination is a term used by Sveiby (1997) to describe the process of converting one form of explicit knowledge to another form of explicit knowledge. Since the parameters of explicit knowledge can easily be set, such knowledge can be easily systemised and placed in a Knowledge Management System (KMS). KMS's differ greatly, low-end systems include document retrieval systems (Mitchell, 2000), relationship management systems (Solomon, 1998), e-mail (Gottschalk, 2000b), Intranets (Lamb, 1999), and even the Internet (Gottschalk, 2000a). High-end systems include the large knowledge management systems tailor made by consulting firms for corporate clients. Consulting groups draw large profits from computerisation of knowledge and it is not surprising that KPMG's Chief Knowledge Officer feels that "Knowledge management can not be done without technology" (Hildebrand, 1999: 2).

Yet the computerisation of mental tasks falls – and always will fall – far short of the human ability to know and to act on the knowledge. No matter how much the proponents of artificial intelligence assert that 'knowing' machines will eventually be possible when there is sufficient computer power, the unavoidable fact is that no machine can, or ever will, have self-consciousness. No configuration of silicon chips can ever be aware of itself in the way that a human being is. Therefore, because self-awareness is crucial to knowledge, no computer can ever know as a human does (James, 1999d: 182).

Systems can not store or properly deliver knowledge, as it is a dynamic and elusive concept, existing solely in a contextual environment (Hildebrand, 1999).

As Barry Harrington, developer of the knowledge-sharing system for the management-consulting firm Bain, asserts, 'For all the technological wizardry contained in complex IT-systems, nothing can replace good old fashioned talk.'

Talk is slightly better than written information, better still is showing what you mean and best is letting people create the knowledge themselves. This is where socialization and internalization come into play (Sveiby, 1997: 87).

Combination is limited, as the emphasis is on existing explicit knowledge, which only makes up a small part of the organisational knowledge base (Marquardt, 1996).

### **2.6.3 Internalisation**

Internalisation is where explicit knowledge is 'absorbed' into tacit knowledge. This is best described as the school book method of learning. That is books (explicit knowledge) are studied (absorbed) and turned into personal knowledge (tacit knowledge). A good example of internalisation would be learning a foreign language. Through the use of explicit knowledge, such as tapes and books, a person may be able to learn a foreign language. When the English controlled areas of India they educated the Indian population how to speak English. The Indian population were provided with explicit knowledge and as a result they learned a text book version of English quite distorted from what the English actually spoke. Hence 'immersion' into a country that speaks that language is now recommended as the best way to learn any language.

This has ramifications for legal knowledge. Law schools primarily pass legal knowledge through internalisation. As stated earlier, legal knowledge is more than just academically knowing the law, it is also the knowledge required to apply the law. Law schools help internalise explicit knowledge, but since the knowledge required to apply the law is tacit, they have no way of providing the full legal knowledge required by a lawyer. Law schools have recognised this and are now trying to internalise tacit knowledge in courses like trial advocacy, legal research and legal reasoning. However since there is no one way to analyse a legal problem or form a legal argument, such courses will always fall short of their objective (Spaeth, 1999; Marchant & Robinson, 1999).

### **2.6.4 Socialisation**

Socialisation is when tacit knowledge is converted to tacit knowledge by way of a relationship between the sender and receiver. The relationship between the sender and receiver gives the knowledge its contextual basis and allows the receiver to gain knowledge in a richer and more personal form (Marquardt, 1996), thus enhancing understanding and retention of that knowledge. This form of knowledge conversion is exemplified in the master apprentice relationship, such as the previously mentioned example of the Samurai sword maker and his apprentice. The Samurai sword maker has tacit knowledge on sword making, but because of its richness it can not be easily

articulated. An apprentice sword maker will study for years under a master and slowly gain knowledge by sharing experiences, as language is not sufficient to transfer the required knowledge. The master apprentice relationship is just one way socialisation occurs. Others examples include learning by doing, knowledge passed in an open office plan, 'piggybacking' junior staff, team work, mentoring and general discussions in clubs and networks of like minded people (Sveiby, 1997). Sveiby (1997) suggested that some organisations use the recruits as 'grinders', providing them with research orientated tasks because the organisation perceives this as a way of providing tacit knowledge.

Socialisation is the best way to pass legal knowledge (Marchant & Robinson, 1999) as a strong shared tradition (for example legal education) and culture (for example employment) exist among lawyers (Sveiby, 1997; Davenport & Prusak, 1998). Judge Spaeth (1999) believed that most senior lawyers are uncomfortable with socialisation as a way of knowledge conversion, because it sounds like learning something by chance. He suggested that lawyers feel more comfortable with internalising explicit knowledge, hence the existence of law schools and not legal apprenticeships. However, as suggested earlier, law schools cannot provide all the legal knowledge that is required and lawyers need to use socialisation. Interestingly Judge Spaeth suggested the same senior lawyers who avoid socialisation easily recognised the important role socialisation played in forming their legal knowledge by statements like "I learned the hard way" or I learned by "watching other lawyers" (Spaeth, 1999: 32).

## **2.7 Knowledge Organisations**

A knowledge organisation is one that has undergone the paradigmatic shift from the industrial paradigm to the knowledge paradigm.

### **2.7.1 Characteristics**

A knowledge organisation has the following characteristics:

- Few tangible assets (Sveiby, 1997).



- Product is often intangible for example; a service, a concept, advice, software. Often the work of a knowledge organisation will consist of transforming information into knowledge (Marquardt, 1996).
- The knowledge organisation will not exist as an island but works in larger networks referred to as 'miniecologies' (Sveiby: 1997) or 'Communities of Practice (CoPs)' (American Productivity and Quality Center, 2000; Davenport & Prusak, 1998; Hanley, 2000).
- Employees are highly skilled and qualified staff referred to as 'knowledge workers'.
- External structures are not so much based on financial flows but on knowledge flows.
- Can violate traditional business principles eg: the principle of diminishing returns. Cost of production for knowledge is very different to traditional products. A knowledge company can show rapid growth patterns unlike industrial companies because production development time is reduced and few overheads exist (Sveiby, 1997).

### **2.7.2 Knowledge Sharing Culture**

Culture is the combination of shared history, expectations, unwritten rules, and social mores that affects the behaviour of everyone, from managers to mailroom clerks. It's the set of underlying beliefs that, while not articulated, are always there to colour the perception of actions and communications. Whereas culture is the more ephemeral of enablers, its arguably the most potent. (O'Dell & Grayson, 1998: 71)

The knowledge organisation can only exist if there is a pre-existing knowledge sharing culture (American Productivity and Quality Center, 1996). Efforts in knowledge management will only be as successful as the organisation's knowledge sharing culture. Platt (1997) suggested the idea of 'build it and they will come' is one that should never be adopted in knowledge management. Sveiby (1999) elegantly described the open culture of the knowledge organisation:

The top managers no longer hide on the top floor, but have their desks on the same floors as the knowledge workers, because they recognise the value of the informal information networks. The corner rooms are used intensively for knowledge creation; they are no longer empty symbols of power occupied by bosses who are seldom there. The coffee machine is recognised as a generator of creative encounters, so it is in the center and not tucked away in a corner (Sveiby, 1999: 2).

Signs of an organisation lacking the required knowledge sharing culture are a general ignorance of the need for knowledge, a non-absorptive capacity on the behalf of employees, a lack of pre-existing relationships and a clear lack of motivation (Sveiby, 1997). If an organisational culture needs improvement the organisation should look for cultural barriers and remedy (McDermott & O'Dell, 2000). Table 2-3 gives a number of possible cultural barriers and provides the appropriate remedy for each.

**Table 2-3 Approaches to overcoming Cultural Barriers, Adapted from American Productivity and Quality Center (2000)**

Cultural Barrier	Remedy
Functional Silos	Solicit senior leadership vision and active support
Headquarters vs the Field	Involve users during design and implementation
Language and Cultural Differences	Accommodate learning and sharing styles as well as providing translation tools
'Fuzzy Concept' or 'Bells and Whistles' Computer System	Develop operational KM definitions tied to business needs
Perception of KM as a 'Bells and Whistles' Computer System	Concentrate on knowledge sharing needs and behaviours; IT is an enabler
Lack of Participation	Find and capitalise on passion, provide appropriate training, and use multiple channels for communication and promotion

An organisational culture with common areas of interest and expertise, strong professional ethics and a general academic attitude to learning like that of a law firm is generally thought to be sufficient to sustain knowledge management (Sveiby, 1997). However as O'Connor (2000) and Gottschalk (2000b) suggested, law firms in

America and Europe, respectively, have a number of cultural issues requiring change before the knowledge management can be successful, these are:

- Efficiency means lower Profits;
- Time is money;
- Individualism;
- Scepticism;
- Technology.

#### 2.7.2.1 Efficiency means lower Profits

Contained at the end of Mitchell's work (2000: 5) is a critique written by Thomas Davenport where he noted that since lawyers generally bill for their time "...knowledge management may be good for individual productivity but bad for industry economics." O'Connor (2000) recognises that the 'old school' lawyers would see an increase in efficiency resulting in lower revenue and therefore oppose moves towards knowledge management.

#### 2.7.2.2 Time is Money

Lawyers clearly see time as money and therefore time spent on sharing knowledge is time that cannot be billed (Gottschalk, 2000b; O'Connor, 2000).

#### 2.7.2.3 Individualism

Individuality is encouraged in law firms, lawyers are not noted for team based approaches or willingness to share expertise (Gottschalk, 2000b). O'Connor (2000) recognised that competitiveness is ingrained in the legal psyche at law school with most lawyers remaining competitive even in their own firm and hence suggested lawyers are like 'lone wolves'. Gottschalk (1999: 6) referred to a law firm as "...a collection of fiefdoms – each lawyer has his or her own clients and keeps the information about them private."

#### 2.7.2.4 Scepticism

Lawyers hold a level of scepticism to new ways of operating. O'Connor (2000) surmised that most law firms perceive themselves as successful and are unlikely to adopt new ways quickly. This behaviour is predominantly seen in firms that hold strongly to tradition. This level of scepticism is raised by the fact that knowledge management offers few tangible benefits (Gottschalk, 2000b).

#### 2.7.2.5 Technology

The level of scepticism amongst senior lawyers has meant that many lawyers are still not great users of technology. This has urged Thomas Davenport (Mitchell, 2000: 5) to write that "Unless they [lawyers] are willing to learn about the details of web-based knowledge searches and fit new knowledge behaviours into their daily routines, all the knowledge from the Supreme Court on down won't do them much good."

### **2.7.3 Construction of a Knowledge Organisation**

The key constructs of a knowledge organisation are its intangible assets, which are generally placed in three categories:

- Knowledge workers;
- External structure;
- Internal structure.

#### 2.7.3.1 Knowledge Workers

The employees of a knowledge organisation are referred to as knowledge workers as the raw material of their product is knowledge (Marquardt, 1996). Knowledge workers are highly educated professionals and usually work in teams as this enables a tradition of tacit knowledge. As a knowledge worker becomes more and more highly skilled they can invent new rules and show themselves as experts. Sveiby (1997) interestingly noted that because knowledge is based in a social context the knowledge worker must be confident in the social context to best use his knowledge.

### 2.7.3.2 External Structure

The external structure is all points of contact outside the organisational body (Sveiby, 1997). This consists of relationships with clients and suppliers and in addition items like the organisations brand name, reputation and image. Knowledge organisations should understand who their 'best' clients and suppliers are (Duffy, 2000) and recognise that clients and suppliers do not exist at the end of the supply chain, but are part of the product/service delivery continuum. Australian Law firms are presently being challenged to look at the relationships they hold with clients (Tabakoff, 2000).

### 2.7.3.3 Internal Structure

The internal structure is all intangible assets of the company contained within the organisation other than the knowledge owned by the knowledge workers. Such things may include patents, concepts, models, research and development, computer and administrative systems and even more fluid objects like the organisational culture and spirit (Sveiby, 1997).

## **2.8 Measuring and Managing Intangible Assets**

Much confusion exists in the literature between the two tasks of measuring and managing an intangible asset. Some authors blend the two tasks, while others prefer to keep the two tasks distinct, as has been chosen in the present research. Measuring an intangible asset is outlined first, not because measurement is required as precursor to management, but because measurement is the clearest way a company can recognise an intangible asset and recognition is required before an asset can be managed.

### **2.8.1 Measuring Intangible Assets**

The American Productivity and Quality Center, in its first report on knowledge management found that:

Measurement was probably the least developed aspect of our benchmarking partners KM efforts. In fact several thought too much early measurement would hinder development, but most are developing systems now (American Productivity and Quality Center, 1996: 8).

Four years later the American Productivity and Quality Center (2000) confirmed that in earliest stages of knowledge management measurement is rarely required, but as knowledge management becomes more institutionalised the need increases, only to diminish again when knowledge management becomes part of the businesses strategy.

The literature suggests that organisations measuring their intangible assets should relate them to financial measurements, which would be strongly supported by lawyers who can understand such measurements. However intangible assets cannot be easily placed on the balance sheet using standard accounting practices as accountants and financial analysts do not know how to deal with such figures.

At American Airlines, jetliners show up as assets. However, the information system that runs Sabre - the reservation service that is more profitable than the planes are - is almost entirely an intangible asset, and is nowhere to be seen on the balance sheets. Like electrons in a cloud chamber, knowledge assets leave only ghostly images in corporate ledgers (Stewart, 1997: 60).

The stock market is a prime example of intangible assets being given financial value. Many writers declare that the disparity between the stock market value of a company and its book value is a measurement of its intangible assets (Sveiby, 1997; Stewart, 1997; Howarth, 2000). Late 1999, many authors were concerned about the high valuations given to knowledge organisations intangible assets on the stock market (Stewart, 1997; Sveiby, 1997), while others defended such valuations as a correct measurement of the companies intangibles (Sahlman, 1999). In April 2000, billions of dollars were stripped off knowledge organisations as the world's stock markets underwent a sizeable correction, clearly suggesting that many investors had over valued the intangible assets of knowledge organisations. The April 2000 correction is a clear warning about the dangers of measuring intangible assets with a financial value.

James (1999b: 69) wrote that in the new knowledge paradigm "...there is a shift from the tangible to the intangible, and conventional financial measure are not designed for the task." A report by the American Productivity and Quality Center (2000) suggested that no one measurement system was the single solution for measuring intangible assets. Instead it recommended that knowledge organisations use a variety of

measurement systems and recommended the use of organisational 'stories' as one of the best measurement systems available.

#### 2.8.1.1 Measuring Knowledge Workers

The knowledge organisation should avoid getting burdened measuring the actual employee knowledge of an individual as such an object is futile considering employee knowledge is owned by the employee not the company (O'Dell & Grayson, 1998). Instead knowledge organisations should try to measure knowledge workers more generally, for example by simply counting them. Lucieur and Torsilieri (1999) suggested that one way to measure employee knowledge is for the knowledge organisation to divide its pool of knowledge workers into strata. They feel that the legal firm is highly suitable to allow the division of its knowledge workers into classes, such as; specialist-expert staff (highly experienced and educated lawyers, normally partners), general staff (lawyers) and legally trained support staff (legal clerks). By dividing the knowledge workers into classes, a legal firm can measure the actual number of knowledge workers in each class against what the firm perceives it requires. This then allows for better management of knowledge workers.

#### 2.8.1.2 Measuring External Structure

James (1999c) suggested that one of the best ways to measure external relations was feedback given by suppliers and clients. He noted that while managers seem more interested in competitive intelligence, they are going to have to refocus on innovative assessments of their external relations if they are going to develop into world leading knowledge organisations. James (1999c) suggested that organisations may like to use 'forced feedback' like at Qantas, where clients attend face-to-face meetings with the Chief Executive Officer (CEO). James (1999c) also noted that client satisfaction is a poor measure and in fact client loyalty is perhaps more important.

#### 2.8.1.3 Measuring Internal Structure

Very little is written about measuring the internal structure of knowledge organisations. Lawyers have many ways to measure the value of organisational knowledge like patents and copyrights, however such measurements will normally return financial values.

## **2.8.2 Managing Intangible Assets**

The key task of a knowledge organisation is to manage its intangible assets otherwise its core business functions will fail.

### **2.8.2.1 Managing Knowledge workers**

Once knowledge requirements are established a knowledge organisation should see managing knowledge workers as a key task as they provide the bulk of the organisational knowledge. The literature reveals four ways that knowledge workers can be managed:

- Recruitment of knowledge workers;
- Retainment of knowledge workers;
- Exit paths;
- Outsourcing.

### **Recruitment of Knowledge Workers**

Knowledge workers are usually bright analytical young people recruited fresh from university injecting fresh competence to the organisational knowledge base. Such recruits are normally offered an 'up or out' career path so that they maintain a steep learning curve (Davenport & Prusak, 1998; Sveiby, 1997).

Not surprisingly, manufacturers are hiring better educated workers to perform these knowledge-intensive jobs. Before 1947, Ford's personnel department didn't even bother to note how much education its employees had. Today, between a third and two fifths of carmakers' new hires have at least some post-high school education, a number twice as high as it was less than a decade ago (Stewart, 1997: 43).

With the demise of blue-collar workers, knowledge workers are supporting the new knowledge economy. Universities are now operated as corporate entities supplying the knowledge economy's requirement for knowledge workers and holding "...in every developed country what no earlier society ever granted an institution: the power to grant or deny access to livelihood and careers" (Drucker, 1990: 45).



### **Retainment of Knowledge Workers**

Since knowledge is personal a knowledge worker carries his own tools and has a greater ability to change jobs (Head, 1999). The knowledge worker will search for a work environment that will expand their knowledge base and offer them the best conditions, salary will not be the sole determinant (Sveiby, 1997). The knowledge organisation must try and retain its employees by offering them; a challenging environment, recognition of achievements and a rewarding career path.

Cossar (1999) wrote that many organisations are now offering benefits like gourmet lunches, private gymnasium membership, weekly masseurs, transcendental meditation, extended paid maternity leave, personal 'life' coaches, retreats, in-house coffee shops and even company supplied manicurists to encourage staff to stay. Such benefits are used because companies are recognising that their staff are valuable assets and it is easier to retain a knowledge worker than to recruit a new knowledge worker (Cossar, 1999).

### **Exit Paths**

Knowledge organisations need to provide friendly exit paths for staff. By so doing, staff will leave the organisation content and will be more likely to do business with the organisation in the future or even return to the company at a later date. For example, the friendly exit policy at the McKinsey's corporation has meant that they have been able to form one of the largest business networks in the world (Sveiby, 1997), with ex-workers referred to as the 'McKinsey Mafia' because of their continuing ties with McKinsey (Walker, 1999).

McKinsey also holds a healthy attitude to the loss of experienced knowledge workers. In an article (Walker, 1999: 68) concerning the dominance of former McKinsey consultants in successful dot.com companies in Australia, a McKinsey partner laments that the departure of experienced knowledge workers can be seen as a 'two edged sword'. While their loss cuts at McKinsey's knowledge base, the departing employees' success indicates that "...we know something about this industry and can run some of these companies. It is a good sign in that regard." In other words this is perceived as a signal that McKinsey is doing something right and possibility that the organisation holds knowledge in wanted areas of expertise.

## **Outsourcing**

Organisations should try to eliminate the specialist-expertise staff and significantly reduce cost, while improving the quality of decisions and their service to customers (Lucieur and Torsilieri, 1999: 79).

Lucieur and Torsilieri (1999) strongly recommended an approach of re-engineering knowledge processes and subsequently better allocating knowledge resources to the true knowledge requirements of knowledge organisations. They suggested that the cost of maintaining specialist-expertise legal staff means that outsourcing of their functions to specialist law centres becomes cost effective and provides for a higher quality of the decisions being made.

Another powerful example of outsourcing expertise is LSN, the Legal Service Network, a consortium of senior lawyers with deep expertise in narrow areas of law. Law firms and corporations are turning to these experts for help on complex issues, rather than carrying the high cost of such expertise in their own practices (Lucieur & Torsilieri, 1999: 81).

Davenport and Prusak (1998a) warned of the dangers of outsourcing by giving the example of the Xerox Palo Alto Research Centre which operated so independently to the company, that Xerox failed to understand the importance and potential value of discoveries made. Fahey and Prusak (1998a) warned that knowledge is connected to its use and that organisations which attempt to disentangle knowledge from its uses will suffer the consequences of their actions. Quinn (1999) suggested that outsourcing can work if it is conducted in the right way. That is, outsourcing is used not to externalise knowledge but to internalise knowledge that exists outside the organisation. What Quinn actually referred to when talking about outsourcing, is the practice of 'insourcing', meaning the use of short term contracts with external knowledge workers who operate within the organisation allowing intellectual capital to be injected where, and when, required.

### **2.8.2.2 Managing External Structure**

An organisation's brand name, reputation and image can all be managed and protected under the law, with value being given to each. Managing the external structure

largely consists of decisions concerning the retaining and shedding of clients and suppliers.

### **Retention**

Retaining clients is more difficult than retaining suppliers who profit from their relationship. Client recognition and loyalty programs are seen as a strong way of helping to retain clients.

### **Shedding**

Shedding low-value clients to improve profits is a recognised practice in many professions (Llyod, 2000; Laurence, 2000; James, 1999c). However knowledge organisations should avoid shedding clients solely because they are unprofitable, as knowledge organisations should recognise the value a client may hold in the driving and building of the organisational knowledge base (American Productivity and Quality Center, 1998b). Knowledge organisations should look in detail at their client lists, who they are, the profitability of those clients, the organic growth of clients, the demographics of clients and the referrals of clients.

#### **2.8.2.3 Managing Internal Structure**

Internal structure can be measured by looking at the investment in the methods and/or systems. Accountants and lawyers have ways of valuing patents, trademarks, copyrights. Sveiby (1997) wrote about the consulting firm McKinsey and stated that they charge as much for the services of a new junior as a senior partner, because clients understand that both have access to:

...a large toolbox of methods, techniques and ideas developed by top McKinsey consultants. In other words, even the lowest McKinsey associate functions within a framework of knowledge accumulated by previous generations (Sveiby, 1997: 121).

## **2.9 Knowledge Strategies**

Many executives are struggling to articulate the relationship between their organization's competitive strategy and its intellectual resources and capabilities. They do not have well-developed strategic models that help them to link knowledge oriented processes, technologies, and organizational forms to business strategy, and

they are unsure of how to translate the goal of making their organization more intelligent into a strategic course of action. They need a pragmatic, yet theoretically sound model of what I call *knowledge strategy* (Zack, 1999a: 126).

Knowledge has changed the competitive strategy of organisations. In the industrial paradigm organisations competed on the basis of product, now organisations compete on the basis of knowledge. Unlike a product, knowledge can not be easily duplicated and superseded because it is extremely difficult to capture particularly tacit knowledge. Trying to capture the knowledge of another organisation has been compared to trying catch a fish barehanded. While the fish exists, it is damnably elusive (Stewart, 1997). Thus an organisation competing with knowledge as a product holds a new competitive advantage (Sveiby, 1997).

Since knowledge has changed the competitive strategy of knowledge organisations, knowledge is itself strategic and should be managed using knowledge strategies. Knowledge strategies should always be linked to the organisational business strategy (American Productivity and Quality Center, 1996). By linking knowledge strategies with business strategies, the reasons for knowledge sharing become more relevant to workers (American Productivity and Quality Center, 1999). A report written jointly by the University of Southern California's Center for Organizational Effectiveness and Korn/Ferry International (2000) found that only 35% of the 5000 knowledge workers interviewed believed that knowledge management played a role in their company's strategies. This is seen as indicative that many businesses are failing to align their knowledge strategy with their business strategy.

Zack (1999a) suggested that one way a knowledge strategy can be created and aligned with the business strategy is the application of the Strengths Weakness Opportunities Threats (SWOT) framework to an organisation's knowledge base. This can then be aligned to the business strategy, 'mapping' where different kinds of knowledge are required and then commencing a 'gap analysis' where the knowledge does not exactly map the businesses requirements. From this a comprehensive knowledge strategy can be formed. It is important to remember that while a knowledge strategy should align with the business strategy, a knowledge strategy should also transfer knowledge and best practice, have a client focus, create personal responsibility for knowledge creation and conversion, provide appropriate management of intellectual assets, allow

innovative knowledge creation (American Productivity and Quality Center, 1996) and institutionalise knowledge management within the organisation (O'Dell, 2000).

### **2.9.1 Players in Knowledge Strategies**

A 'knowledge champion' is critical to the success of any knowledge strategy (American Productivity and Quality Center, 1996). Knowledge champions should ideally come from within the management of the organisation so that they have the authority and respect to provide the required vision, coordination, facilitation and encouragement for the success of the knowledge strategy.

One way management can show support of knowledge strategies is the appointment of a Chief Knowledge Officer (CKO) (Earl & Scott, 1999). The employment of an external professional is particularly important if the law firm does not have the skills to deal properly with knowledge management within the firm (DeAngelis, 1998). Ownership of the strategy can be increased by giving other staff roles (Davenport, 1996).

### **2.9.2 Types of Strategies**

Hansen, Nohria and Tierney (1999) suggested that two types of knowledge strategies exist:

In some companies, the strategy centers on the computer. Knowledge is carefully codified and stored in databases, where it can be accessed and used easily by anyone in the company. We call this the *codification strategy*. In other companies, knowledge is closely tied to the person that developed it and is shared mainly through direct person-to-person contacts. The chief purpose of computers at such companies is to help people communicate knowledge, not to store it. We call this the *personalization strategy* (Hansen, Nohria and Tierney, 1999: 107).

Hansen, Nohria and Tierney (1999) suggested that knowledge organisations may use both strategy types, but one will always be given a larger emphasis and the other strategy is left in an 80-20 split support role. Those organisations that try to use both strategies dominantly have so far failed (Hansen, Nohria & Tierney, 1999).

While there are a number of differences between the two strategies (See Table 2-4) both are knowledge strategies, with each giving competitive advantages to an organisation by using knowledge as the product.

**Table 2-4 Differences between Knowledge Strategies, Adapted from Hansen, Nohria and Tierney (1999)**

<b>Codification</b>	<b>Personalisation</b>
Recognises Explicit Knowledge	Recognises Tacit Knowledge
Reuses same codified knowledge	Creation of original analytical knowledge
Focus on selling large volumes of same codified knowledge at economic price	Focus on selling small volumes of original knowledge at high profit
Low level of customisation	High level of customisation
Low level knowledge workers who do not have to create, but reuse knowledge	High level knowledge workers (MBA's etc) who create new knowledge
Develop document systems, client relation systems, etc that combined form a Knowledge Management System (KMS)	Encourage networks of people so that tacit knowledge can be share. Refereed to a 'miniecologies' or Communities of Practice (CoPs)
Reward workers for contributing to document databases or similar	Reward workers for creating and sharing knowledge
Invest heavily in IT	Invest moderately in IT
Knowledge sharing dependant on computers	Computers just one tool to enable knowledge sharing

In selecting the which knowledge strategy to use Hansen, Nohria and Tierney (1999) suggested an organisations introspectively ask the following three questions:

1. Do you offer standardised or customised products?
2. Do you have a mature or innovative product?
3. Do you rely on explicit or tacit knowledge to solve problems?

### 2.9.2.1 Codification Strategy

The codification strategy is a true knowledge *management* strategy. It is concerned with *managing* knowledge through the use of computers and relies on externalisation and combination. Since knowledge has to be systemised such a strategy relies largely on explicit knowledge.

It seems that in America (Mitchell, 2000; Platt, 1998), Europe (Gottschalk, 2000a) and Australia (Sbarcea & Dennis, 1999) lawyers are adopting a codification strategy. Mitchell (2000) believes that law firms, with their large amounts of explicit knowledge, are ready-made scenarios for knowledge management systems. Thomas Davenport in a critique included in Mitchell (2000: 5) agreed, stating that “The great majority of legal knowledge is eventually embedded in a client document, so if you control the flow and storage of documents, you’ve got your finger on the pulse of knowledge.”

Hansen, Nohria & Tierney (1999) warned that organisations have to be careful as clients may become dissatisfied with the lack of customisation and furthermore employees may fail to understand the knowledge that the system delivers as they are in effect given ‘a slice of the cake without the recipe’. A number of authors have difficulty with the codification strategy as it removes knowledge from context.

Taken literally, the need for a knower raises profound questions as to whether and how knowledge can exist outside the heads of individuals. ... Yet organisations seem to view knowledge as if it has a life of its own (Fahey & Prusak, 1998: 267).

### 2.9.2.2 Personalisation Strategy

The personalisation strategy is a knowledge *focussed* strategy relying largely on tacit knowledge gained through internalisation and socialisation.

Real knowledge management is ... nothing less than setting knowledge free to find its own paths. It means fuelling the creative fire of self-questioning in organizations. This means thinking less about knowledge management and more about knowledge partnering (Allee, 1997: 231).

The personalisation strategy is not concerned with capturing knowledge, rather it aims to set knowledge free. This is achieved by the creation of networks allowing

knowledge workers to exchange knowledge and the promotion of tacit learning through 'knowledge fairs' (Davenport & Prusak, 1998) and other forms of internalisation. Davenport and Prusak (1998a) referred to these networks as being like the 'Yellow Pages' where workers can find a reference to a person who can help and approach that person for the knowledge.

The personalisation strategy may utilise computer systems, but normally only in a limited capacity of assisting tacit knowledge creation and would never use computers systems in a way that would constitute the backbone of knowledge sharing efforts.

Hansen, Nohria & Tierney (1999:108) feel that the personalisation strategy is stronger than the codification strategy as "Consultants collectively arrive at deeper insights by going back and forth on problems they need to solve" and hence create a superior knowledge product. Clients prefer the personalisation strategy as they are given a higher degree of customisation and as stated before they receive a superior knowledge product.

## **2.10 Chapter Summary**

Chapter Four has built a contextual background to support this research. Emerging from the literature review are six themes that provide a framework for the research and will be used in Chapter Four during the analysis. The six themes are:

- Knowledge Conversion;
- Knowledge Sharing Culture;
- Recognising Intangible Assets;
- Measuring Intangible Assets;
- Managing Intangible Assets;
- Knowledge Strategy.

After exploring the characteristics of knowledge and the added characteristics of legal knowledge the first of six themes, knowledge conversion, emerged. Knowledge conversion is the transfer of knowledge between the two forms of knowledge (tacit



and explicit) and occurs in four main forms: externalisation, combination, Internalisation and socialisation

After all forms of knowledge conversion were fully investigated the 'knowledge organisation' was outlined. The next four themes were connected with the knowledge organisation. The first of these four themes was the knowledge sharing culture. That is the organisational culture that allows for knowledge conversion. A number of cultural barriers that exist in law firms were discussed. The next theme was recognition of intangible assets, a key task for any knowledge organisation. Intangible assets are the key constructs of the knowledge organisation and unless recognised an organisation can not transfer from the industrial paradigm to the knowledge paradigm. A knowledge organisation's intangible assets are placed in three groups: knowledge workers, external structure and internal structure. After recognising these three intangible assets the knowledge organisation should measure (theme four) and manage (theme five) them.

The final theme was knowledge strategy. A knowledge strategy is a well developed practical strategic model that helps knowledge organisations to use knowledge as a strategic resource. Two prominent knowledge strategies currently exist, they are codification and personalisation. The codification strategy is a knowledge *management* strategy, which relies on 'codifying' or 'capturing' explicit knowledge in a Knowledge Management System (KMS). Conversely the personalisation strategy is a knowledge *focussed* strategy relying largely on tacit knowledge. The personalisation strategy is not concerned with capturing knowledge, rather it is a knowledge strategy that aims to set knowledge free. Profitability is achieved by provide original analytical knowledge and delivering high levels of customisation.

## CHAPTER THREE – RESEARCH DESIGN & METHODOLOGY

### 3.1 Introduction

Chapter Three is the research design and methodology chapter and consists of three components: the research philosophy, the research methodology and the data collection and analysis. In stating the research philosophy both the ontological and epistemological stances of the author will be outlined. The research methodology will then be outlined. During the final component the methods used in the collection and analysis of the data will be detailed. This component will also discuss the techniques utilised in ensuring the validity of data.

### 3.2 Research Philosophy

Before entering a field of research, it is important to declare one's philosophical position according to their ontological and epistemological stances (Remenyi & Williams, 1995). Burrell and Morgan (1977) explained the difference between the two common sets of assumptions the researcher must declare. Ontology is a set of assumptions concerning the nature of reality that surrounds them. That is, the way a researcher understands, records and categorises the phenomena. Epistemology is a set of assumptions used to describe the grounds of knowledge meaning the philosophical way that data are collected and given meaning (Hirschheim & Klein, 1989).

#### 3.2.1 *Ontological Position*

The scientist studying a social phenomena is faced with the basic ontological question of how the 'reality' exists in relation to the individual, according to that is whether the reality is of an 'objective' or 'subjective' nature (Burrell & Morgan, 1977). With reference to Table 3-1 for the research presented in this thesis the interpretivist paradigm has been selected for two reasons.

**Table 3-1 Table of Paradigms with Relating Ontological Positions**

Paradigm	Ontology
Positivism	Reality exists, it works according to the laws of cause and effect, these laws can be revealed.
Interpretivism (Post-Positivism)	Reality exists, it cannot be fully understood or explained, there are multiple causes and effects.
Critical Theory	Reality exists, it cannot be fully understood or explained, there are multiple causes and effects.
Constructivism	There are multiple realities, they exist as mental constructs and are relative to those who hold them.

Firstly, the study involves the reality of organisations (law firms) and is based on the understanding that organisations are a socially constructed nature of reality. The interpretivist paradigm best matches this understanding and accepts that the social world is created intentionally by the people that associate within it and the social reality of it can only be explained from the individual's standpoint, hence the interpretivist researcher seeks an intimate relationship with the subject (Denzin & Lincoln, 1994).

The second reason for accepting that the interpretivist paradigm is the phenomenon (knowledge) can never be fully understood, as there exist multiple causes and effects. Good evidence is thus found in the richness of data, and such data cannot be judged true or false, rather accepted as important data holding value in the greater research.

### **3.2.2 Epistemological Position**

Knowledge management is an emerging field of study in the relatively new discipline of information systems and as such it would be improper to use the dominant epistemological position without reason as the researcher may unnecessarily restrict the research (Ridley & Keen, 1998). Reason should always be used to decide the appropriate epistemology in emerging fields such as knowledge management (Orlikowski & Baroudi, 1991).

The present research will be conducted using a single epistemology so as to avoid some of the difficulties associated with triangulating opposed positions (Orlikowski and Baroudi, 1991; Remenyi & Williams 1996). A single epistemology is more appropriate for the present research question and employed methodology.

Three major epistemological stances are recognised by authors (Neuman, 1997; Orlikowski & Baroudi, 1991; Ragin, 1987; Ridley & Keen, 1998; Silverman, 1998); positivism, interpretivism and critical theory. Guba (1990) recognised a fourth; constructivism. Based on the criteria presented in Table 3-2 the interpretivist paradigm has been selected for the present research.

**Table 3-2 Table of Paradigms with Relating Epistemological Positions**

Paradigm	Epistemology
Positivism	Inquiry can be value free, objectivity can be achieved.
Post-Positivism (Interpretivism)	Objectivity is an ideal, it requires a critical community, subjectivity is acknowledged.
Critical Theory	Values mediate the inquiry, requires the selection of a value system.
Constructivism	Knowledge and the knower are part of the same subjective entity, findings are the result of the interaction.

This epistemology is adopted because it rejects the standpoint of the detached observer (Fitzgerald & Howcroft, 1998) as a valid point for understanding human activities. The present research requires the researcher to occupy the 'frame of reference' of the participant (Burrell & Morgan, 1977: 5) even when this means the researcher can never assume a value free judgement, as they are always implicated in the phenomena being studied.

### 3.3 Research Methodology

Both the ontological and epistemological stances selected belong to the interpretivist paradigm. The methodology also appropriately fits the interpretivist paradigm. Interpretivism is based in hermeneutics and phenomenology (Myers, 1997) and looks

to replace "...the positivist emphasis on 'objective facts' with a focus on the everyday, face-to-face social processes of negotiation, discussion, and bargaining to construct social meaning" (Neuman, 1997: 346). Guba (1990) suggests that the methodology best suited to the interpretivist paradigm is critical of experimentalism, it emphasises qualitative approaches, theory and discovery, making it the ideal methodology for this exploratory research.

There are two main research methodological approaches: Qualitative and Quantitative. Qualitative research is inductive and exploratory in nature, whereas quantitative research is deductive and confirmatory. The ability to use both methodologies with a single philosophical stance exists however, most researchers choose to adopt a single matching methodology (Myers, 1999). In the present research a qualitative research methodology is considered the most appropriate choice.

### ***3.3.1 A Qualitative Research Methodology***

The qualitative research methodology complements the philosophical position of the author and is highly suited to studying social and cultural phenomenon (Myers, 1999). As stated before, the qualitative research methodology is best suited to exploratory work like the present research. Furthermore a qualitative research method is employed because it values data and considers it as intrinsically meaningful. Qualitative studies allow for the data to be captured in its full richness. This is important for the present study where data have subjective meaning and interpretation of embedded social interaction is required. The drawback of qualitative research is that unlike quantitative research, it is not strongly established in the psyche of the research community. However, this does not mean such research cannot contribute substantially to a body of knowledge (Remenyi & Williams, 1996).

## **3.4 Data Collection and Analysis**

### ***3.4.1 Scope***

The research was conducted with the cooperation of three large Tasmanian legal firms located in the Hobart area. The study was limited to three firms due to limitations on

resources and the time available. While survey could have been used to reach a larger number of law firms this approach was discounted as it would have been inappropriate for this investigative research. The research is limited in scope to large Tasmanian legal firms. A large Tasmanian law firm was defined in the present research as employing over 50 people, having a large physical presence, having an established reputation and having the ability to employ support staff for example librarians. It should be noted that a large legal firm in Tasmania would only be a mid-sized legal firm at a national level. Smaller firms were not included as some researchers question the value of research that includes small firms (Gottschalk, 2000a).

While all three firms were positioned in the Hobart region, this does not limit the scope of findings to the Hobart region, as the work conducted by these firms is at a state level, with regard to the same state legislation and often with state-wide client organisations (For example Transend).

### **3.4.2 Objectives**

To recap, the main aim of my research was to determine out what type of knowledge strategy was best selected by large Tasmanian law firms. This aim was reached with three research objectives:

1. To examine how legal professionals exchange knowledge.
2. To find out if Tasmanian law firms perceived themselves as knowledge organisations.
3. To discover if Tasmanian law firms demonstrated evidence of using a knowledge strategy.

### **3.4.3 Methods of Data Collection**

There exist a full range of qualitative methods for data collection (Denzin & Lincoln, 1994; Miles & Huberman, 1984; Rubin & Rubin, 1995; Silverman, 1993). In the present research the bulk of the data were collected using interviews. Data were also collected through casual conversation with staff and non-participant informal observations.

### 3.4.3.1 Interview Construction

A thirteen question interview was constructed with reference to Neuman (1997) and Dwyer (1993) to provide a reference framework to guide the semi-structured interview (See Appendix 1). All questions were written to obtain certain information, for example;

Qu: *What indicators would you use to evaluate a law firms performance?*

This question was aimed at revealing intangible assets. While interviewees would potentially reveal tangible and intangible assets, the scope of this research was confined to intangible assets. This question was purposefully posed so as to examine the ability of the interviewee to recognise the existence of intangible assets.

All questions were constructed carefully, keeping in mind the desired data to be collected. All questions were open-ended so that the respondent could provide rich detail in their answer (Neuman, 1997) which then enabled their answer to be easily coded.

### 3.4.3.2 Pilot Interviews

Following the construction of the preliminary semi-structured interview guide a series of pilot interviews were run. These helped the researcher understand meaning, test and refine the data collection method used throughout the rest of the study. Pilot interviews were conducted with two lawyers and from these a number of modifications in language were made to create a more culturally relevant interview. An example of an alteration made to the original semi-structured interview is:

Original: *How are new recruits used by the firm?*

Alteration: *How are new **professional** recruits used by the firm?*

Here the word 'professional' was added to avoid confusion between professional and support staff. While the word 'recruit' is normally reserved for professional staff any ambiguity is removed by adding the word professional.

#### 3.4.3.3 Entering the Field

Gaining entry into the field of study required a well-planned approach. The legal profession can easily opt to close itself to outsiders. The best way of entry was through the use of an 'informant' (Neuman, 1997: 374) who could give information concerning the field. This person was a senior partner at a large firm who provided contact details for 'gatekeepers' (Neuman, 1997: 351) at large Hobart law firms. Without the cooperation of the informant the study would have been extremely difficult. I found that all gatekeepers were wary of my approach to do research and I often needed to negotiate access. I used a prepared script when phoning gatekeepers (See Appendix 2) which meant I could easily provide all the key information to the gatekeepers, thus allowing them to make an informed decision on whether to grant me access to their legal firm. I found after a gatekeeper had participated in an interview they showed less concern and were most cooperative in finding other staff to interview (a snowballing method was employed).

#### 3.4.3.4 Ethics

Before entering the field all ethical considerations had to be dealt with. Since the research did not gather information of an extremely personal nature or information that was ethically sensitive, it was possible to gain an exemption from the University of Tasmania's Human Research Ethics Committee. However, this did not absolve the researcher from following ethical considerations:

- Approach subjects tactfully and in an appropriate manner;
- Give adequate explanation;
- Gain an informed consent.

All of the above considerations were met in the research design.

#### 3.4.3.5 Confidentiality

Throughout the field research intimate knowledge was learnt, for this reason confidentiality was assured to each party. Confidentiality is provided by the interviewee's names being disguised by a general position title (Senior Partner,



Recently Recruited Lawyer, Legal Clerk or Librarian) and each of the firms names being disguised by a character (A, B and C).

#### 3.4.3.6 Interviews

Interviews are one of the most time consuming and expensive types of data gathering, yet they are the most valuable when planned in a purposeful manner (Dwyer, 1993). During the present research, a semi-structured interview plan was used (Minichiello et al, 1995). The interview consisted of a formal component using the successfully piloted interview questions and a more informal component where open and closed questions were employed to explore issues that might have arisen. The same interview questions were used on all interviewees.

Nine separate interviews were conducted spread evenly over three large Tasmanian law firms. The law firms were randomly selected for inclusion in this research. In each firm the three interviews were conducted at different levels of the internal hierarchical structure. At the highest level a Senior Partner was interviewed, at a mid-level a Recently Recruited Lawyer was interviewed and at the base level an experienced support staff member was interviewed (normally a Librarian). It is important to recognise that in this study only lawyers are classed as knowledge workers as only lawyers fully participate in the conversion of legal knowledge. However, views on legal knowledge management are valid from all the internal players of a legal firm who have an active role in exchanging legal knowledge (for example the librarian). By selecting only three interviewees from within the spectrum of the internal hierarchical structure (and not all lawyers) a suitable range of perspectives could be gathered and duplication of data were avoided.

The interviews took place 'face to face' so as to best allow the exchange of personal data (Dooley, 1990). The interviews were held in the individual work locations so that the interviewee was comfortable (Dwyer, 1993) and, more importantly, the interview occurred in the contextual environment of the phenomena (Dooley, 1990). To prevent social breakdown I adopted the dress code of the legal firms. In introducing myself care was taken to avoid deception, which is difficult to justify (Neuman, 1997) however, the term 'knowledge management' was purposefully replaced by 'information sharing'. This was done to prevent the interviewees

answering the questions in terms or descriptions exclusively associated with knowledge management. At the commencement of each interview consent was obtained to audio tape the interview. Recording interviews is generally recognised as an important practice, as long as it is not used as a substitute for good field notes (Belanger, 1999). Throughout the interview rapport was built using appropriate language, showing general interest and in some cases shared humour. Interviews would normally last between 20-40 minutes, thus around two hours was spent at each legal firm.

#### 3.4.3.7 Conversation

Before and after each interview a certain amount of general conversation was generated. This conversation helped to build a more rounded perception of the person, and gave the person a chance to share things that they did not want recorded on tape. The data contained in the conversation was extremely rich and often helped in identifying underlying themes that may have gone unnoticed. An example of this was when an interviewee shared in conversation a story about how lawyers gossip. It was clear that the interviewee wanted to share the story, which she believed was highly relevant, but perhaps felt confined during the interview. However in the more informal conversation after the interview she felt able to share the story. In this case the conversation directly related to issues being discussed and it was important to be able to include it in the data gathered.

#### 3.4.3.8 Observation

Throughout the interviews observations were recorded concerning the layout of the firm, the physical environment of interviewees office and the presence of a computer in the interviewees office. Such observations were important to gain an understanding of the firms' organisational culture and provide richness to the analysis.

#### 3.4.3.9 Post Interview Write Up

All interviews were written up immediately after being conducted. Tapes were transcribed and field notes were used to cross check transcriptions. Interviews were written up while fresh in the mind of the interviewer so that the full context of the

interview remained clear and any actions or thoughts that developed during the interview could be implemented.

#### **3.4.4 Analysis**

Analysis is the process of extracting meaning (value) from the collected data so as to meet the objectives of the research and answer the research question. For the qualitative researcher the social phenomena being studied is a complex phenomena and as such “The basic question facing us is how to capture the complexity of reality (phenomena) we study, and how to make convincing sense of it.” (Strauss, 1987;10). Since qualitative research methods have been used, meaning is not found using statistical methods but rather through a process of systematic description of the interrelationships contained in the data called ‘coding’.

In the present research the data were analysed at an organisational level, meaning all three interviews at each of the three firms. This was done because the phenomenon, that is ‘knowledge’, is a local phenomenon and exists in the relationships of a firm (Fahey & Prusak, 1998). The data provided by an interviewee strictly relates only with data provided by other interviewees within that firm, as only they share in the same phenomena. Once the analysis has taken place at a firm level the data can be discussed at a general level, examining the differences between the three law firms.

Coding occurred at a sentence level rather than at a word level. The coding of the data was conducted in three phases; Open Coding, Axial Coding and Selective Coding.

**Table 3-3 Open Codes, Axial Codes, Core Categories and Themes**

Open Codes	Axial Codes	Core Categories	Themes
Partners Meetings Newsletters Master Apprentice Relationship Open Door Policy Informal Open Door Policy Intra-firm Discussion From the Work Professional Reading Internal Training Courses Internal Seminars External Training Courses External Seminars Conferences Law Society Points Mandatory Legal Education Program Cooperative Intra-firm Work Cooperative Inter-firm Work Socialising Gossip Computer Systems E-mail	Knowledge Conversion	Knowledge Conversion	Personalisation  Codification
Individualism Technology	Knowledge Sharing Culture	Knowledge Sharing Culture	
Knowledge Worker Legal Knowledge Knowledge of Clients Reputation Integrity	Knowledge Worker	Recognising Intangible Assets	
Calibre of Clients Relationship with Client Client Satisfaction	External Structure		

Recognition Speciality Effectiveness Efficiency Good Will Reputation Name Ethos Standard of Service Charge Rates	Internal Structure	Recognising Intangible Assets	Personalisation  Codification
Measuring Knowledge Workers Happiness of Firm Employee Assessment	Knowledge Worker	Measuring Intangible Assets	
Customer Feedback Client Surveys Referrals	External Structure		
National Surveys Good Will	Internal Structure		
Recruitment of Experienced Lawyers Recruitment of Graduate Lawyers Probationary Period Both sides of the firm Working on Files Up or Out Retainment	Knowledge Worker	Managing Intangible Assets	
Retaining Shedding	External Structure		
	Internal Structure		
General Practice Specialist Practice	Knowledge Strategy	Knowledge Strategy	

#### 3.4.4.1 Open Coding

Open coding is the first phase of the qualitative analysis and is the term used to describe the process of systematically classifying the data so as to create meaning (Miles & Huberman, 1994). Before open coding began all transcripts were read thoroughly so that the analyst was fully emerged in data. During the open coding phase codes were given to the emerging themes. After all the data were processed the coding scheme was reviewed. From Table 3-3 it can be seen that an extremely large amount of codes were generated, some examples are; master apprentice relationship, external seminars, internal seminars, goodwill, general practice and specialist practice.

#### 3.4.4.2 Axial Coding

The second phase of the qualitative analysis is referred to as axial coding. During this phase, a dense texture of relationships was constructed around the 'axis' of the categories being focused upon (Strauss, 1987). In this research, examples of axial codes were; knowledge conversion, knowledge sharing culture, knowledge workers, external structure, internal structure and knowledge strategy. All axial codes were established and defined with reference to the literature review, therefore a form of a priori coding. The codes generated during open coding were placed in sub-categories or in super-categories or even discarded when held to be unrelated to the research question.

#### 3.4.4.3 Selective Coding

The final phase of qualitative analysis is conducted at a high level and explores the selective codes or 'core categories'. From Table 3-3 it can be seen that the selective codes were; knowledge conversion, knowledge sharing culture, recognising intangible assets, measuring intangible assets, managing intangible assets and knowledge strategy. Table 3-3 illustrates how the three axial codes; knowledge worker, external structure and internal structure, were all related to three selective codes; recognising intangible assets, measuring intangible assets and managing intangible assets.

When all subordinate categories and sub categories have been linked with the core categories it is then possible to revisit the data. A final pass is made through all the data to search for further evidence of the core categories that may have been missed

during earlier phases. By revisiting the data, meaning may be found where it was previously missed and the codes can be correctly applied. Very little additional data was drawn out of the transcripts during this stage. This is due to the fact that the first two phases were conducted exhaustively and the analyst was deeply rooted in the data.

All six core categories were related to the two dominant themes; personalisation and codification. The first core category, knowledge conversion, is used to show an organisational preference between personalisation and codification. The next four core categories; knowledge sharing culture, recognising intangible assets, measuring intangible assets and managing intangible assets, are all used to build a picture of the knowledge organisation and its ability to use personalisation and codification. The final core category, knowledge strategy, is used to demonstrate an organisational selection of personalisation and codification.

#### **3.4.4.4 Analytical Memorandum Writing**

During the research analytical memorandums were written to assist recording initiative thoughts on emerging themes or points (Neuman, 1997 ; Miles & Huberman, 1984). Glaser and Strauss (1967) recommended the use of analytical memos during coding. These memos are a generic tool that can be used outside of grounded theory (Urquhart, 1997) and were used numerous times in the present research. Predominantly, shorter analytical points were recorded on Post-it® notes and placed on a board. These points would often be recorded at moments of high insight during points of unrelated activity.

#### **3.4.5 Replication and Validity**

“Replicating the measurement of a construct reinforces its validity, and replicating a finding increases confidence in the initial findings” (Neuman, 1997: 150). However, the underlying principle of replication is contradictory to the interpretivist viewpoint that research is contextual and observed from the researcher’s viewpoint. For this reason, the qualitative researcher should not search for replicability but validity in other forms. Validity must be ensured if the research is to become part of the greater body of existing research (Yin, 1984).

Neuman (1997) suggested that validity is the confidence placed in a researcher's analysis and data to accurately represent the social world in the field. A typical interview transcript is included (See Appendix 3) so that validity can be evidenced by the reader. Neuman (1997) suggested that there are four types of validity to ensure research accuracy:

- Ecological validity;
- Natural history;
- Member validation;
- Competent insider performance.

#### 3.4.5.1 Ecological Validity

Ecological validity is the degree to which the reality recorded by the researcher matches the reality of the participants. Neuman (1997) suggested the test of ecological validity is whether events recorded would have occurred without the researcher's presence. During the interviews with the senior partners, at each of the three law firms, disturbances occurred created by the ordinary operation of the law firm. During one interview the senior partner received a phone call, he then walked to the office door, where he proceeded to shout an aggressive message down the corridor. He returned to his seat and apologised explaining it had been one of 'those' days. His actions clearly demonstrated that ecological validity had been obtained and that my presence did not change the reality this lawyer worked in.

#### 3.4.5.2 Natural History

The natural history of the project is well detailed with full and candid disclosure of the researcher's intentions, plans, actions, assumptions and analysis procedures. An interview transcript is provided for reader verification (See Appendix 3). Chapter Three is largely designed to ensure natural history. During this chapter, plans, actions and assumptions are outlined, bias and prejudgements declared, and the analysis procedure explained.



#### 3.4.5.3 Member Validation

Member validation occurs when a researcher returns field results back to members to validate their truthfulness (Klein & Myers, 1999). Studied parties were given the opportunity to validate their interview transcriptions, however they did not take the opportunity as they felt that since the interviews were audio recorded, a high level of validity was guaranteed. It is surmised that the time required to validate a transcript also impacted the decision of members not to check the transcript. All interviews were sent a thankyou letter, which was designed to act as a form of closure since member validation was not used (See Appendix 4).

Neuman (1997) suggested that member validation has two major limitations. Firstly, members may object to results that show them in a unfavourable light and secondly, members may not recognise results once recorded from the researchers perspective. In light of these limitations the fact that member validation was not fully practised should not lessen the validity of the current research.

#### 3.4.5.4 Competent Insider Performance

Competent insider performance is the researcher's ability to interrelate with members of the organisation being studied. The researcher's insider performance within the legal firms was at all times competent, however it varied depending on the person being interviewed. When interviewing recently recruited lawyers the performance was well above competent, being able to share in jokes and conduct a very smooth interview. However interviews with senior partners were often more difficult and encouraging a lighter atmosphere to facilitate information exchange was at times very difficult.

#### 3.4.5.5 Other Validity Tests

Validity in the research is also ensured by including any adverse findings and allowing members of the surrounding research community to critique the research. Furthermore the scope of the research was limited to large law firms as it is suggested that the validity is lowered by researching firms of varying sizes. For example, involving a comparison of firms with one lawyer and firms with 95 lawyers (Gottschalk, 2000a).

### **3.4.6 Pre-Judgements and Bias**

The analysis of data can carry many biases and it is important to reduce these biases as they can create errors (Glazier & Powell, 1992). One potential bias could be the exposure of the researchers to the legal fraternity in Tasmania through his study of law. This exposure was limited and did not at any point affect the collection or analysis of the data. Salience of first impressions or observations of highly concrete or dramatic incidents (Miles & Huberman, 1994) also threatened to bias the findings as a number of themes developed very early and could have prevented other themes from being established. An example of such a theme was the role of gossip in converting knowledge. However, by recognising the early emergence of such themes I was able to prevent such bias.

## **3.5 Chapter Summary**

The philosophical position of the researcher is that of an interpretivist. A qualitative research methodology is adopted. Qualitative data collection methods are employed, predominantly interviewing and to a limited extent observation and conversation. The combined data is then analysed using a priori coding and validity is appropriately ensured.

## CHAPTER FOUR – ANALYSIS

### 4.1 Introduction

Chapter Four presents the analysis of all the data collected during the course of the research. The three sets of data collected, interviews, conversation and observation, have been combined. The analysis will be conducted in three parts; Firm A, Firm B and Firm C. As discussed earlier, the analysis is conducted in this style as each of the firms operates as a separate knowledge sharing ecology and it is not only appropriate, but important to analysis the three sets of data in their organisational context. Within each of the three parts (Firm A, Firm B and Firm C) the analysis is divided into six sections that emerged from the literature review presented in Chapter Two, these are:

- Knowledge Conversion;
- Knowledge Sharing Culture;
- Recognising Intangible Assets;
- Measuring Intangible Assets;
- Managing Intangible Assets;
- Knowledge Strategy.

### 4.2 Firm A

Firm A operates in a three story colonial style building in the centre of Hobart. Much was made of the historic nature of the building, with blackwood panelling used in the waiting room and historical pictures of the Hobart area displayed. Three people were interviewed and are referred to by their position; Senior Partner, Recently Recruited Lawyer and Librarian.

The Senior Partner was a middle-aged male. He had a large office at the end of a corridor with his desk being the centrepiece. It was interesting to note that the Senior

Partner had chosen to display contemporary artwork in his personal office given the historical character of the building. The Senior Partner had a computer positioned on a desk beside his main work desk.

The Recently Recruited Lawyer was a young female. Her office was half the size of the Senior Partners' with just enough room for a client to be seated. Again the desk was positioned as a physical barrier, but this may have had more to do with the lack of available space. The Recently Recruited Lawyer had a computer positioned on her main work desk.

The Librarian was a middle-aged lady. The library befitted the very traditional design of the building particularly with its floor to ceiling shelving. As a result of the traditional design of the building the library suffered a lack of natural light. A computer was located in the library area.

#### **4.2.1 Knowledge Conversion**

The Senior Partner recognised that knowledge is converted in many different forms. Firstly he suggested that knowledge was converted:

*...simply from the work we do, most experienced lawyers will be dealing with most of the time with work that is in some way new to them. That is, everyday poses a new problem. They are expected to research that and get an answer for that and in that way they build up experience.*

The Senior Partner also mentioned how a master apprentice relationship is used to convert knowledge and spoke at greater length about a general open door policy which benefited not only new staff, but also experienced staff.

Another important way that knowledge was converted was professional reading. The Senior Partner spoke about how all staff are required to do a large amount of professional reading.

The Senior Partner voiced the importance of training courses and seminars for both newly recruited professionals and experienced professionals. He said that for new recruits the firm takes a pro-active role in encouraging them to attend training courses.

*...if we [Senior Partners] see a training course that we might think would be appropriate we will generally suggest to younger people, inexperienced people, that they should go and the firm in fact pays for that and we encourage people to do that.*

The Senior Partner did not feel that a lot of inter or intra agency work was conducted, thus limiting the way knowledge is converted externally. He suggested that the reason so little inter agency work was conducted within Tasmania was "...simply because the confusion of who's doing what and professional jealousy and other things."

Regarding socialising as a form of knowledge conversion the Senior Partner said that:

*From my experience most professionals do not socialise with other professionals except in the practice. We stay away from them.*

He felt that when socialising with lawyers external to the practice care had to be taken regarding confidential information and as such conversation occurs in a very general sense, rather than specifically talking about clients. The Senior Partner also recognised gossip as separate to ordinary conversation saying that "Lawyers are perceived to be great gossips about other lawyers and what work is happening."

On the issue of knowledge conversion using computer systems the Senior Partner was pleased to share the limited achievements of Firm A and fully acknowledged that the Firm's efforts at systemising knowledge conversion were extremely embryonic.

*... we try to capture, not that we are good at it, capture creative knowledge on our computer system in the word processor in that if someone has an interesting case and finds a marvellous solution we are encouraged to place it on the database and tell everybody it is there and they are welcome to use it.*

The next interviewee was the Recently Recruited Lawyer. The Recently Recruited Lawyer also recognised that the master apprentice relationship was one of the richest ways that knowledge is converted. The Recently Recruited Lawyer also recognised that knowledge is converted from "...doing the work, just from hands on." The Recently Recruited Lawyer shared how recruits are made to work on other lawyers' files, thus gaining knowledge from the work that is being done. She also expressed how important it is to keep up to date with professional reading

The Recently Recruited Lawyer told of how internal seminars help expand knowledge within the firm.

*We do hold, we haven't had one for a while, we were having lunch time meetings about once a month and everyone takes a turn at presenting something they know about which hopefully most the others don't know a lot about so you can broaden the firms knowledge base.*

She recognised that external seminars are particularly important for experienced professional stating that "...I guess that is the main way for them [experienced lawyers] to improve all their knowledge is from other experts in the field...".

While the Senior Partner felt little inter agency work was conducted, the Recently Recruited Lawyer looked more broadly and suggested at a national and international level some inter agency work was conducted:

*I know that interstate we do and that is would be quite common. Particularly, often, say there is a national client and they may have gone to Melbourne or Sydney firm of solicitors for if they are wanting something registered in each state, they are going to set up operations in each state then they are generally going to need representatives in each state to do that work for them, so we will be briefed by the mainland firm to be the Hobart agent or Tasmanian Agent. Internationally, I do know that it is a similar thing. We have done work for international firms, I myself haven't done any, I just use to see faxes come in from Saudi Arabia! I am not sure what that was about. But with Tasmania, no we don't do joint work, it is too small.*

On the issue of socialising as a form of knowledge conversion the Recently Recruited Lawyer, stated:

*Well I socialise with the people here but I must say that when I go out I try to avoid socialising with other lawyers. But I mean in an area, it is a small area – Hobart, and you know people that work in this area, so if you see people out and about, I mean I will talk to them, but I wouldn't choose to make them my usual social contact.*

The Recently Recruited Lawyer disliked conversing with legal professionals because the conversation inevitably returns to matters of work, highlighting the fact that socialising is a valid form of knowledge conversion. The Recently Recruited Lawyer was aware of the dangers of socialising outside the firm stating "You have to be

careful when talking to others as you have privileged information, so you can't really tell them any details." The Recently Recruited Lawyer expressed one of the reasons that she avoids conversing with legal professionals outside of the firm.

*... if you say about something that happened you always get 'you should have done this' or 'why didn't you do this' and sometimes you just don't want to know about it. OK it is good, but in the pub, on Friday night and you are trying to debrief yourself on some case, then the last thing that you want is someone telling you what you should have done, but really it is the only thing you have in common is the legal work ...*

The Recently Recruited Lawyer suggested that since legal work is your only common ground with external legal professionals you are forced into a position of either gossiping about others in the law or talking about the work you are doing. The Recently Recruited Lawyer stated "I mean lawyers gossip a lot and through word of mouth you always find who has lost a major client or gained a client." The Recently Recruited Lawyer shared a wonderfully story concerning gossip in general conversation. The following has been reconstructed from field notes:

A group of Tasmanian Lawyers were attending the Australian Students Law Association (ALSA) conference in Hobart (Jan, 2000) to judge a skills competition. While waiting in the judges room they instantly began gossiping about a large Tasmanian law firms' failed mortgage fund. A senior partner from that particular firm walked in and those assembled in the room didn't even pretend to conceal the subject of conversation. One of the senior lawyers in the room just piped up and said 'We were all talking about your mortgage fund and we are really sad to hear what happened'.

The interviewee laughed the whole way through reciting the story.

Regarding computerised knowledge conversion the Recently Recruited Lawyer states that one way knowledge is converted in the firm is through "...the internal e-mail, when someone has drafted a new clause for a lease or has found something that is of interest or there is a new court decision the most common way is to get an e-mail sent around notifying us of that."

The third and final interviewee was the Librarian. She directly referred to a master apprentice relationship and was easily able to explain how knowledge was best

converted in such a relationship. In keeping with her explanation of the master apprentice relationship, the Librarian spoke of a number of measures she uses to convert knowledge. Firstly, she offers one to one training for all staff concerning the library. Secondly, she sends out e-mails regularly to advise on new practises of law. Not all together surprisingly, the librarian expressed how important it is to keep up to date with professional reading and how this was an important form of knowledge conversion. The Librarian also spoke about how gossip played an informal role in converting knowledge.

Regarding computerised knowledge conversion, the Librarian spoke about the document retrieval system mentioned by the Senior Partner, but chose to refer to it as an 'opinion database'. She stated that it would mean "...that if you give advice to someone, you can look back and see what someone has done and not have to reinvent the wheel and not give conflicting advice." The librarian explained that the database only provided a reference to material stored in a filing cabinet, but was confident that in the future the documents would be scanned and so that searches could be performed.

#### **4.2.2 Knowledge Sharing Culture**

Neither the Senior Partner nor the Recently Recruited Lawyer spoke about the knowledge sharing culture at Firm A. The Librarian however had much to say and suggested a conservative culture that is struggling to adapt to technological advances.

*Its electronic services are the challenge for them. Obviously, law firms by nature are very conservative and some lawyers have not much [ability], some lawyers embrace electronic things but some don't. For the ones that don't, it is difficult. ... But I think what they fail to realise is, because I am an old person and I have come into electronic things and you just have to do it, you just have to use it.*

The Librarian went on to suggest that this conservative culture also impact on the way legal professionals deal with knowledge.

*... it has been an old fashioned idea that you don't give away knowledge. And I suspect that that operates within the firm some times, I don't know that, but I suspect it does, because that's why we have to concentrate on getting it out and make it worth it, assess its value and use it.*



### **4.2.3 Recognising Intangible Assets**

When asked to identify intangible assets the Senior Partner had some difficulty going beyond tangibles. He stated that “As a partner profit line or the bottom line is very important...” The Senior Partner was able to identify the staff, performance and calibre of client as intangible assets but failed to explain any of them further. The Senior Partner also felt that recognition in an area of law is an intangible asset:

*For example, the big mainland firms like to be listed as top of the tree in particular areas of law, mergers and acquisition is one. There is a lot of kudos in being able to say that Australia-wide we are the biggest firm in this area.*

The Recently Recruited Lawyer suggest the calibre of the client was an intangible asset and then interestingly suggested the amount a firm charges is an intangible asset. She tried to explain her reasoning:

*And really another indicator can be what firms charge because a firm is charging a lot is obviously because they have so much work it doesn't worry them if someone says 'I am not paying that I am going to someone cheaper'. Some one cheaper is obviously trying to get more work in, so they will have lower prices, so as to encourage more people.*

The Librarian was well aware how important the role of recognising intangible assets is to a knowledge organisation:

*I think the first thing is you have to be aware of intangible assets and I don't think that they are always aware of this.*

The Librarian recognised that one intangible asset was “...the enormous body of knowledge the partners must have about their clients and their client's needs and the arrangements and all that area is unknown to anyone else in the firm...” The Librarian interestingly recognised that the knowledge of the firm “...is very much related to their relationship with the clients.” As such she recognised that clients are an intangible asset. The librarian also suggested that the standard of service the firm produces is an intangible asset.

#### **4.2.4 Measuring Intangible Assets**

The senior partner felt that the firm had not tried to measure its intangible assets and struggled to think of any way the intangible assets could be measured without using "...the usual accounting process and bottom line stuff." One suggestion from the Senior Partner was a 'happiness index'.

*A thought that comes to mind is probably the happiness index of the lawyers working within the firm. If they are happy lawyers, they have probably got good clients, a comfortable place to work, they are probably enjoying their work, they are probably pretty stretched by their work, they see a career, all those sort of things. I would tend to say the happiness index is the best, whatever that is, is probably the best way to evaluate those things.*

The Recently Recruited Lawyer felt that you may be able to measure the worth of clients. She suggested that money would be again the main factor in deciding the worth of a client, but did suggest that "With a customer you can also get referrals from them..."

#### **4.2.5 Managing Intangible Assets**

With regard to managing intangible assets the Senior Partner was able to identify how staff and clients were managed by Firm A. Regarding staff, the Senior Partner explained that two types of employees existed; professional employees and administrative employees. A professional employee being a lawyer, while an administrative employee was more commonly a secretary or support person. The professional employee is recruited in a different manner to the administrative employee.

*"In relation to the professional employee we are usually looking for a pretty strong academic strength, as well as someone who has a personality that will complement the firm and who will work well with clients."*

The Senior Partner stressed that the academic strength, the ability to 'fit in' the firm's culture and the ability to work well with clients were all important factors in the employment of a professional employee. The recruitment of professional staff is more complicated than administrative staff where the Senior Partner suggests skills and experience as the only factors in employment and even then accepts with junior

administrative staff it may be that neither of these factors exist. The ability to 'fit in' the firm's culture is no longer an issue and academic strength does not play a significant role.

Once the firm takes on a professional recruit the Senior Partner expressed that:

*This firm usually tries to give them a fair range of experiences, for the first 12 months to 18 months and try to get them to do, what we call work on both sides of the firm. That is, the commercial side as well as the litigation, in court side of the firm. When we feel that they have indicated a competence, a better competence, in one side or the other and then if we have the appropriate space we push them to one side of the practice, either the litigation or the commercial.*

Regarding managing clients the Senior Partner spoke about how the firm will try and keep existing clients within the firm and described this practice as 'cross-referring'.

*...someone might come to me with something that is out of my area so to speak. So I will say to that person that I don't know what the answer is but go and talk to so and so in this firm just down the corridor who knows what this is all about.*

The Recently Recruited Lawyer also spoke about how Firm A manages employees and clients. Regarding employees the Recently Recruited Lawyer stated that Firm A looking looks for fresh competence in areas that it may be lacking:

*"I am always asked about research skills particularly now that the Internet has become so widely used for research and I guess they rely on the younger employees to know how to do that rather than the senior ones themselves learn how to use that research."*

The Recently Recruited Lawyer felt that experience was an important consideration saying that prior experience should 'match up' with the firm.

With regard to managing clients the Recently Recruited Lawyer suggested that clients with issues outside of the legal knowledge of the firm might be accepted if it is seen as desirable by the firm and would not adversely effect the client:

*It is not fair to treat them [clients] like a guinea pig if you don't have knowledge in the area, but you do it to some degree, I mean you always take on things that you do not know a lot about, but generally if it is an area that you are expecting to go reasonably smoothly you will take it on and use it as an opportunity to increase you*

*experience, but if it is something that looks like it is going to be complicated or it turns out to be complicated then refer it to another firm, or if you have already got the firm you would probably go to a barrister for advice.*

Both the Recently Recruited Lawyer and the Senior Partner made it clear that a client would never be used to build legal knowledge if the firm felt that it did not have the ability to represent the client properly.

When it come to desirable clients the Recently Recruited Lawyer said that Firm A “...do not mind spending money to retain it [their client base], but the reason they do that is they know work they get from that customer will far exceed any expenditure they have on it.”

#### **4.2.6 Knowledge Strategy**

The Recently Recruited Lawyer suggested that Firm A accepts most types of clients (corporate, legal aid, ‘off the street’, family and friends) as it ran a general legal practice. Firm A’s knowledge strategy was to operate a general practice that provided non-specialist legal knowledge to a broad range of clients. While there may exist specialist practices, none were spoken about during interviews. The Senior Partner understood how running specialist practices could be advantageous, but seem to feel that since such a practice was dangerously hinged on the existence of certain types of clients.

*... Unless you have a proven track record in something and then you say ‘That I am only going to do this sort of work, I expect clients that need this sort of work will come to me’ But to get that track record you have got to have those sort of clients that need that type of work, perhaps it becomes a bit circular.*

### **4.3 Firm B**

Firm B operates in a large commercial building in the centre of Hobart. The offices were extremely modern with the use of marble, raw aluminium and modern colour schemes. The offices were spread over two stories with a large central space giving the offices an open feel. It was interesting to note, that contained in the small amount of reading material was a large book about yachting in Tasmania, which seemed completely out of place until it was later revealed that the firm had a specialist

practice in Maritime Law. As with Firm A, the three interviewees at Firm B will be referred to by their position.

The Senior Partner was a middle-aged male. His office was a large corner office with the desk again being the centrepiece. The Senior Partner did not appear to use a computer.

The Recently Recruited Lawyer was a young female. Her office was comfortably sized with enough room for a client to be seated. The Recently Recruited Lawyers worked at an L-shaped work-station which had a computer centrally positioned.

The Librarian was a middle-aged female. The library was large and modern and included computers and a photocopier.

#### **4.3.1 Knowledge Conversion**

The Senior Partner could identify numerous ways that knowledge was converted. Primarily he identified how a master apprentice relationship is used with all new lawyers, regardless of experience, to convert the appropriate knowledge:

*In terms of coaching of lawyers or graduate lawyers, Ahh all of the people who come to us, all of the lawyers who come to us are inevitably directly under the supervision and responsibility of a senior practitioner.*

The Senior Partner went on to explain that this master apprentice relationship is even more formalised with graduate recruits:

*... we still regard law graduates in a sense as 'apprentices' now, as you know the system changed...*

The Senior Partner interestingly raised the fact that experienced lawyers are "...really under the tutorage of the people they work with." And as such knowledge is being converted all the time. The Senior Partner expressed how important professional reading is to experienced lawyers, stating how articles of interest, like legal opinions, may be passed around partners:

*I am getting an opinion from a law firm about that and when I get that opinion I will probably send it around to a couple of the partners in the commercial area but I would not bother sending it around anywhere else, because what will happen is that*

*if someone in our litigious area will have such a problem, and they are unlikely to, they would come and ask one of us [commercial partners].*

External seminars were another form of knowledge conversion raised by the Senior Partner:

*We encourage experienced lawyers and non experienced lawyers for that matter to participate in whatever to seminars they want to suggest to us, going to particular group section meetings umm and in general terms if a practitioner comes to us and says to us 'that there is something out there that I am interested in and want to go have a look at we will encourage that and we will pay for it and that it is not a great issue.*

The Senior Partner expressed how there is now a mandatory legal continuing education program further enabling knowledge conversion.

*That has just started this year from January 1. It is very much in its embryonic stage. That will obligate all lawyers to receive some training and I think this year you have got to get up six points and its going to graduate up to 15 points. So six points isn't much, six hours and in terms that is something we have been doing for ages.*

Concerning cooperative inter-firm work the Senior Partner stated:

*Yeah, in Tasmania probably not Umm certainly interstate a bit of that goes on. For example, the example I gave you before we have a public company wanting to do some public fundraising, the issuing of shares, so we engaged another firm and in a sense we worked jointly with them and it all come back to us. Internationally, no, pretty rare, pretty rare you will do the odd bit of work for somebody, you might get a letter from a lawyer in England who is tracking down a provision in a will for example someone who for some reason happens to have a Tasmania resident who is living over there and will have to do something.*

The Senior Partner spoke about how socialising is an important part of converting legal knowledge, but noted that as a senior partner he avoided socialising with other lawyers. The Senior Partner stated “by the end of the week I have had enough of what I do and if I go mix with other lawyers all we do is talk about law again, I really don't want to talk about it.” However the Senior Partner did admit that when attending interstate conferences:

*...I like to talk to other practitioners with similar sized firms, so that I can work out how they deal with the same problems in similar circumstances and but it does not tend to be about legal work as such, it tends to be more about 'what do you do in your firm with this, what scale of pay, how do you give people an up path, how do you structure partnership', that sort of thing, I think that will find with young practitioners is that they want to talk about work, you know, I think you find that older practitioners don't want to. In fact if someone gives me a dose of trade practices or the GST [laughing] It is a real turn off, I am not interested.*

He suggested that younger practitioners are more ready to 'socialise together' and converse about 'work', admitting as a young lawyer he did.

Regarding computerised knowledge conversion the Senior Partner expressed:

*...over the years we have tried to develop a very much better umm integrated system so that I could press a button here and get an opinion from ANONYMOUS on something to do with trade practices but we haven't got down to that level, we have talked about it. We are at the very moment, our librarian is trying to set something up. It is very archaic. It is very archaic...*

The second interviewee at Firm B, the Recently Recruited Lawyer, also was able to list multiple forms that enabled knowledge conversion. Firstly the Recently Recruited Lawyer acknowledged the existence of a master apprentice relationship.

*Actually they [Senior Partners] do take more of a role of education, it depends who you have, some people use you as cheap labour, some people like ANONYMOUS try and give you things that are a bit different or things because you need to know this and they make sure you have a touch of everything and doesn't leave you with conveyancing for a year. ANONYMOUS has more of a long term approach to it whereas I suppose others don't.*

The Recently Recruited Lawyer went on to say how the master apprentice relationship is a two way relationship and that as the apprentice it is important to use the master as a 'mentor or supervisor', this way they will more naturally take an interest in your professional development.

Professional reading was another area that the Recently Recruited Lawyer highlighted. She suggested that is particularly important for experienced lawyers.

*...certain partners in specialised areas get their own publications, they go and read all their monthly updates each month, they keep on top of it. I think that is a bit easier for the ones in smaller areas to keep on top of it, but yeah they are constantly on top of it.*

The Recently Recruited Lawyer expressed how conferences are used by experienced lawyers to broaden their knowledge.

*Yeah they do they have a quota of, they call them 'conferences', but they are always looking for conferences in Paris or something like that (laughing) but they do they develop their own area of expertise. I know that one lawyer went off, there was a water conference in Sydney. He did a lot of work for the Water Board and went along and yeah they target that.*

Concerning cooperative inter-firm work the Recently Recruited Lawyer generally agreed with the Senior Partner. However added that some cooperative inter-firm work did occur in Tasmania, as Firm B often works with the Crown solicitor and government bodies. Furthermore the Recently Recruited Lawyer noted that Firm B does work cooperatively at a national level as they have an agreement with a large national firm where by "...we run something for them using their QC's and our solicitors do the leg work..."

The Recently Recruited Lawyer suggested that knowledge conversion was often encouraged by the need to "...rack up your points for Law Society points for insurance..."

With regard to socialising, the Recently Recruited Lawyer felt that she did socialise with other legal professionals, but only in a limited sense.

*I think the friends I have in the legal profession are either in this firm or I know them from legal prac and still keep in touch with them and stop and chat on the street... I find that if you are with lawyers you tend to talk about law, except the drinks here on Friday night we do not normally talk about work. We usually talk about love lives or lack of [Laughing] or fishing or something it is not normally work, no.*

The Recently Recruited lawyer spoke about how socialising is an important part of the training courses lawyers attend.



*ANONYMOUS is really involved with the bar association and sets up a lots of the training courses and make sure we go along and he's always drinking at the end of it ... Always, the 'bar association', it is like two hours of lectures and two hours of drinking [laughing]*

While none of the interviewees expressed a formal open door policy, it was clear that informally there exist an understanding of approachability within the firm. The Recently Recruited Lawyer spoke about how an informal open door policy operated where by lawyers were always welcome to question other lawyers in the firm. However the Recently Recruited Lawyer suggested such a policy was floored by the fact that you need to 'stumble across expertise'. This was where she felt computerised knowledge conversion could assist.

*... I might research one issue, but because I am down here, I have no idea that someone up the other end has done the same thing that day. And we were actually talking about setting up a system like, you know an article database about research, alright so you have researched section whatever of the Workers Comp Act, then you should be able to do some search and work out who else in the firm has done it.*

The Recently Recruited Lawyer suggest that while she hoped that Intranet would be a success there were a number of cultural issues.

*I don't know how much the Intranet will help, it is a bit of, there are a couple of partners in the firm who are very reluctant to embrace technology ... they use it for playing solitaire that sort of thing [laughing]. So I don't think they appreciate what could be gained from it and so not everyone has computer, like I have. Like I have most of the databases that the library has and that is unusual, because we are new this year well 'you are a technology baby', we are not particularly but, because we have got the label - we get the resources.*

The Recently Recruited Lawyer spoke about how e-mail is used when dealing with clients, but said nothing about being used within the firm.

*... with a firm like this it is so different from a plaintiff firm or what I gather from talking to people there because in their area you are dealing with people all the time, here you can go 8 weeks and never bump into a client. Because it is all, especially its corporate clients its e-mail, or phone, or letter, or phone and obviously firstly letter and they will answer by letter so can never meet some one, never talk to someone, you cannot work out sarcasm in a letter...*

The third interviewee at Firm B, The Librarian, was able to identify multiple forms of knowledge conversion, however spoke at great length about how the Intranet, soon to be implemented, will provide a strong form of knowledge conversion.

The librarian speculated that knowledge might be exchanged at the partners' meetings, which occur on a regular basis. The Librarian spoke about how the library produces a weekly newsletter that is designed to keep lawyers informed with any new cases and legislative changes both Commonwealth and State. Such newsletters constitute part of the lawyers professional reading.

Regarding socialising the Librarian stated that "most firms are fairly sociable and I think that it a good thing."

The Librarian held high hopes for the Intranet. She described its future implementation as part of the Firm B's ongoing strategy to "...increase the sharing of knowledge within the firm between professionals and the sharing of knowledge between professionals and clients in a more coordinated way..." She hoped that the Intranet would be able to "...exploit the expertise that each practitioner has..."

The Librarian noted that the Intranet would provide a controlled avenue for gossip.

*We aim to have a staff newsletter for gossip, the firms activities to keep everyone in touch with what's actually happening because at the moment it's a little bit segregated into practice areas...I think gossip is an important social activity that happens that make everyone feel part of the firms culture. Every one is included, everyone knows what is going on. It's just a social event really that brings everyone together.*

#### **4.3.2 Knowledge Sharing Culture**

The Senior Partner expressed how a knowledge sharing cultured exists within the firm, but when put into practice it often disappears.

*...there is certainly within the firm there is no reluctance for anyone to share anything. Ok? The actual pragmatics of the sharing process is very much ad-hoc.*

Recently Recruited Lawyer agreed, giving an example of how the right information concerning who held what knowledge in the firm could have saved her hours of work.

*I think there is a lot of unnecessary duplication of effort here and things like half the time no one ever told me that one of our partner did honours in one aspect of IP. I spent ages working on something that he could do in a few minutes because he wasn't there when I was doing my rounds asking for help, definitely.*

The Recently Recruited Lawyer realised while there was no hesitation on the part of staff to share information, the actual knowledge sharing process was done 'very poorly'. "Basically you wander around stepping in each office 'hey do you know anything about this' and you keep going until someone goes 'woo'." She hoped that the Intranet corrected the organisation problem of communication, but as stated before she had some hesitation that senior staff may not use it.

The Librarian also hoped the Intranet would address the lack of communication between staff. But like the Recently Recruited Lawyer recognised a culture that may be adverse to the systemisation of knowledge:

*Some of them [practitioners] are very keen to learn [electronic researching skills] and some of them aren't and I think that is just a culture that has developed over the years and obviously with the more senior practitioners they don't feel comfortable using electronic resources because basically ... they are regarded very highly in their own area of professional expertise and suddenly they are thrown into the situation where they don't know anything ...*

### **4.3.3 Recognising Intangible Assets**

The Senior Partner was able to identify the continuing nature of the relationship with clients (client loyalty) as an intangible asset:

*Is there any particular reason why clients should keep coming in? Is there any particular reason? Because I suppose from a purely mathematical and logical point of view there is no particular reason why any new work should come in at all, because we don't contract with clients, they are not obliged to use us, it just tends to happen.*

He also suggested that that the 'goodwill' paid by a new partner "...is that intangible thing." This was a very interesting observation as, it not only recognised goodwill as an intangible thing, but suggested that goodwill was the sum total of all the intangible assets. Finally the Senior Partner suggested that charge rates could be an intangible asset, in a similar way to the Recently Recruited Lawyer at Firm A.

The Recently Recruited Lawyer suggested that the lawyers were an intangible asset, as they held many abilities, for example to clearly communicate the law. The Recently Recruited Lawyer also felt that the calibre of client was an intangible asset. She went on to explain how the relationship with the client is very important.

*Also probably how... they communicate with clients, it is one thing doing the job, then there is communicating how the job is done to your clients and if you don't have that link up then it is totally frustrating, so not listening to what they want and they are not understand what you have done there would be no end of trouble, is that ok?*

The Recently Recruited Lawyer identified the firm's reputation.

*I'd sort of say reputation but that is really a difficult thing to define, its, people get reputations they do not deserve in the long term. I mean they might have a reputation as a firm if they completely stuff something up, but I think that especially in a place like Hobart you get reports about certain places or certain people so I think, it is definitely.*

She also identified the firm's standard of work. This intangible asset is not referring to the work produced by the knowledge workers, but the standard enforced by the internal structure of the legal firm on knowledge workers.

*People say that the firm is renowned for its standard of work. Also because I think then the firm has a standard to live up to they won't accept mediocrity as part of the working environment, so that is good.*

The Librarian could only list two possible intangible assets; client satisfaction and the efficiency of the firm. She explained neither.

#### **4.3.4 Measuring Intangible Assets**

The Senior Partner spoke about how the internal structure of Firm B can be managed by the use of Australian surveys of legal firms. Such surveys provide figures on:

*...support staff per practitioner, ...a breakdown of overheads and inevitably it turns out to budgets per practitioner, how many dollars and cents they have to churn out, in terms of fees and profitability per partner in partnership ...*

The Senior Partner said that such surveys were often an aide, but were never examined too closely as it is recognised that Tasmanian firms hold a unique position in the Australian legal fraternity.

The Recently Recruited Lawyer suggested the use of client surveys within the firm. She joked that the reason that no formal client surveys were conducted was "...it would frighten the clients off!", but at another level I suspect that she felt that there was some truth to the statement.

The Librarian also felt that client surveys should be conducted, but noted informal client feedback occurs, for example "Sometimes a non-professional staff member may have some type of feedback over the phone ... how that client is feeling and relay that to the partner in a non-formal way..."

The Librarian also suggested that knowledge workers could be assessed, but noted that staff should have input into any assessment system and an impartial assessor is required so that standards can be observed.

#### **4.3.5 Managing Intangible Assets**

With regard to managing knowledge workers the Senior Partner had no difficulty explaining how staff were managed. Firstly he identified 2 types of employees; professional staff and non-professional staff. The Senior Partner expressed that non-professional staff includes secretaries and accountants and make up 70% of the work force. The Senior Partner believed "In terms of professional staff there are two categories". The first is experienced professional employees and the second is non-experienced professional employees.

Senior Partner stated:

*The first category would be professional staff who already have some experience, so in other words we have a vacancy that arises or a vacancy that we create for a lawyer and I guess in that situation we are looking for someone say with experience in the workers compensation area and will tend to look for someone who has some skills in that area or if they don't have skills in that area they have a leaning towards that area...*

*In terms of law graduates we tend to look upon law graduates as primarily as people that we have an obligation to train and so we are looking for the best we can get because whilst we feel we have an obligation to train them we also would like to think we could retain them as well. Having trained we can retrain them. And so I guess we are looking for people who are looking for a medium point of view.*

While an experienced lawyer will commence working in the position advertised, the Senior Partner explained it is a different procedure for a graduate recruit.

*What we do for law graduates is for a period of 12 months we put two partners in charge of them. We put a commercial partner in charge of them and a litigious partner in charge of them. It is the obligation of those partners that they receive adequate training in each of the areas. The commercial partner will make sure they do some commercial work and the litigious partner will ensure they do some litigious work.*

The Senior Partner also expressed that the recruits need to be "...people who are going to assimilate with the firm...". He explained how all graduates have a 12 month probationary period where their ability to fit in is tested. He went on to explain what occurs at the end of the 12 month period.

*What tends to happen during that 12 months period is that they gravitate towards one area or another or they will tend to be in a sense 'adopted' by an area or by a person who says 'gee I would like this person to work with me' and so they tend to gravitate towards that person. What we have inevitably found and I don't think it is relevant to your survey, what we have inevitably found is that if someone is not prepared to take them on it is a bit of an indication that they are not going to survive.*

The Senior Partner then spoke quite frankly about what occurs if a recruit does not appear to be 'adopted'.

*We are not looking at them, we are not looking at those people to perform to a financial criteria. We are not looking at them to fill out time sheets every day, or we are, but we are not looking at that as a criteria, we are just looking to see whether they are going to make it and whether they are going to fit in. If they don't fit either of those things, we may as well say 'why don't you look around, there are probably other things for you to do other than at FIRM B'.*

The Senior Partner placed a real emphasis on retaining employees. When recruiting graduate professional employees the Senior Partner already expressed that retaining the employee was an important consideration in employment. With experienced professional recruits the Senior Partner said there is little concern over their integration and rather "...it is more of a case of trying to keep them...".

With regard to managing the external structure the Senior Partner spoke only about managing clients. He felt that the firm held clients that were seen as useful for building specialist practices, eg: workers compensation and maritime law. The Senior Partner was well aware that the only reason those speciality practices existed was the relationship with clients who provided the type of work required.

Firm B utilises its clients as opportunity to build upon the firms existing knowledge, but as the Senior Partner expressed the issue is completely out of the firm's expertise, the firm will normally refer the client to another firm.

*... [If a client] asked for advice for say a fundraising in a public company ... whilst we could probably do it, we could probably engage someone to assist us, our inclination would be to send them off to someone who does do it, generally someone on the mainland or Melbourne who does that work.*

The second interviewee, the Recently Recruited Lawyer, was able to identify how the firm manages knowledge workers from her perspective. She suggested that the firm looks for the ability to communicate with others, university grades and "...for honesty, openness as a character trait" when recruiting graduates like herself. She said that an interest in the areas practised by the firm and practical experience like a summer clerkship are both seen as beneficial.

The Recently Recruited Lawyer stated that during the 12 months probationary period a recruit will generally be used for research as "...we are the cheapest to be used by the firm and whose time can be wasted and that is the way it works, it is so much more expensive for partners to research." Recruits are also used for court appearance, however the Recently Recruited Lawyer outlined how more experienced lawyers get to present court work and the recruits normally are left to do all the preliminary work. She accepted this process stating that "...the firms got a reputation and you don't want to destroy it."

She also identified how the firm manages its external structure. She felt that Firm B targeted clients in the areas it specialised. “The firm strategically looks for customers that the firm believes will benefit them, financially and in improving the knowledge in specialist areas of law.” She demonstrated how clients are used to build new areas, but again stressed that only desirable areas are built.

*It depends I think on whether it is an area we want to develop or not ... there is normally someone who knows about it or if not you develop that expertise because if it is an area like intellectual property, we are not that crash hot on patents, but we will learn about it. I think the firm or the professional people in it mould to where the demand is. So if something like that IP is coming up all the time, we will make a conscious effort to develop that side of it. The same I know the way we have ended up with having a planning appeals and resource management tribunal expert, the thing came up once in a commercial matter in the firm and a partner said well I haven't got into that area, so they push that.*

The Recently Recruited Lawyer suggested what might occur if a client came with an issue outside the ordinary expertise of the firm and the firm did not want to expand its knowledge base in that direction.

*Whereas something like family [law] we would probably refer them on unless they were a good client. We used to have a strong family background but then ANONYMOUS left and with her left all the knowledge, so it is just something we don't do any more.*

Just as Firm B had areas of law that it tried to specialise in, the firm had areas of law that it tries to avoid practising and as such clients in these areas were seen as ‘undesirable’. All interviewees expressed clients seeking help outside of the firms chosen areas of law, would be normally informed to go elsewhere. However, the Recently Recruited Lawyer stated one exception, we “...do criminal work as a favour for someone if they ask, but that is not targeted at all”.

The Librarian avoided commenting on managing intangible assets as she felt that such tasks had little to do with her function. However, she was able to produce some comment on how clients were managed by the firm.

*... it would depend on what type of problem it was. If it was something that was quasi within their jurisdiction they would take on the client and they would obtain the knowledge needed to help that client, either by internal training or they would*



*probably get some external help from a barrister or someone else who could give an outside opinion. Again it would depend on the what the subject was ...[if it was] Court of Petty Sessions work, they would just say to them 'No we don't handle this type of work'.*

#### **4.3.6 Knowledge Strategy**

Firm B had a clear knowledge strategy that involved practising in a number of specialist legal practices (for example maritime and workers ompensation), complemented with a more general practice (commercial).

The Senior Partner was aware that Firm B's decision to practise in a number of specialised areas of law (in this case maritime law) has strategic advantage.

*...we have a niche practice in maritime work, we do just about all the work in the state for the insurers, correspondence, that sort of thing, and we get all of that work because we have expertise in that practice and it is a niche sort of practice. The type of work is what they are sending us is maritime work, so we are there all the time. ... it is something we have been doing for a long time and it would be very difficult for someone to break into that kind of work because of the long standing connection we have and I mean we have got to service it, it has got to be properly serviced, because if it is not, because the reason that clients leave you, we don't service them properly or we overcharge, but basically it is to do with service, with the quality of service.*

The Senior Partner identified how the long standing connection with clients and the continual servicing of the firms knowledge make specialist legal practices nearly impenetrable by competition. The Senior Partner also spoke about how specialist practices (in this case workers compensation practice) are vulnerable to changes in the law, however even if this occurs the Senior Partner suggests that the firm is in a sound position to move with the changes.

*I suppose it is possible for it [a specialist practice in Workers Compensation] to be disrupted if there was some big change to the law, we have a very large Workers Compensation practice, if workers compensation was to change in some legislative way that could affect the practice. No, we tend to adjust to those sorts of things.*

Interestingly the Senior Partner suggested that the litigation side of the firm is perhaps better suited to specialising in a particular area while:

*In the commercial area it tends to be different, in the commercial area you tend to have a very general practice, ... some people end up with a general practice and that is where I tend to sit, although I do some work for companies, I tend to have a wide client base of individuals. People doing conveyances, wanting wills, drafting leases, selling shops, buying shops. I think in commercial you tend to be more of a general practitioner in this market, in this Tasmania market.*

## **4.4 Firm C**

Firm C operates in a multi-level modern building in the centre of Hobart. The building had a modern design, with the use of large open corridors. As with Firm A and Firm B, the three interviewees at Firm C will be referred to by their position.

The Senior Partner was a middle-aged male. His office was at the end of a corridor, it was well sized, but not large, with the desk definitely being the centrepiece. The Senior Partner had a computer on a separate desk.

The Recently Recruited Lawyer was a young female. Her office was half the size with barely enough room for a client to be seated. Again the desk was positioned as a physical barrier, but this was the result of a lack of available space. The Recently Recruited Lawyers had a computer positioned on her main work desk, but did suggest during the interview that she would rather position the computer on a separate desk, but for a lack of available room in the office.

The Legal Clerk was a senior gentleman who was working in his retirement years. The Legal Clerk had an office similar in size to the Recently Recruited Lawyers. He did not use a computer.

### **4.4.1 Knowledge Conversion**

The Senior Partner was able to identify various ways that knowledge was converted within Firm C. Firstly the Senior Partner expressed a broad master and apprentice relationship where recruits were under the tutorage of:

*... the people who have asked them to do work ... So for example if I asked the solicitor in litigation to do some work for me ahh about say taking a matter to an arbitration ah I would discuss with her or him what I think the process would be and she ... would show me the work that she has done I would have some input into that*

*I would also probably go and ask her to refer to one of my partners or barristers or people in that area to make sure that she is on the right path.*

No internal training courses or seminars were offered by Firm C, which bothered the Senior Partner. He expressed how he had sought to change this, but was outvoted. In a similar stream of thinking the onus is placed on the individual if they want to attend external training course or seminars.

The Senior Partner recognised that an open door policy assisted in converting knowledge between all staff at Firm C.

*I think it [knowledge] is shared because of interaction ahh between the partners and the staff and the ability for any one or use because of ahh everyone being able to fit and being compatible that I can walk from my office to that mans there and say 'what do you think about his?'*

The Senior Partner outlined how intra-firm discussion was one of the benefits of working at a large firm.

*I would think that in my day I would have ahh an hour a day with interactive debate with my partners and staff about legal issues. That ahh I think that is why a bigger firm works much better because if I have got a concern I can go ask one of my partners ...Whereas if you are a sole practitioner or have three or four partners who don't have expertise in a particular area then so be it for example I might be asked to do matter that I do lack expertise, but I am able to rely on my partners or people in this office to help me out so that I can help my client out or I might refer it to one of the staff members here.*

The Senior Partner felt that no cooperative inter-firm work was done. With regard to socialising as a form of knowledge the Senior Partner expressed how he only socialises within the firm.

*Um I don't associated with legal professionals other than people in this office, in a social way. Um so, it is not that I try to avoid it, it is just that my life and my lifestyle is such that I don't socialise with those people. Um in relation to socialising with my partners ahh it would be the exception rather than the rule that the conversation deals with matters of work, ahh, obviously because of the association I have with my partners we will discuss work, but if its in a social scene generally I won't be seeing them about work ahh umm so it won't be about work.*

The Recently Recruited Lawyer recognised many of the forms of knowledge conversion suggested by the Senior Partner, plus a few extra. She agreed with regard to a master apprentice relationship and went on to explain how beneficial the open door policy was to new graduate lawyers. Interestingly, she suggested that the open door policy had one down side, it placed the onus on finding help on the person needing help.

*We go up and ask if we don't know how to do something ... I think the coaching is excellent, it is just that you have to get the coaching yourself... Whether that is good or bad I am not sure...*

With regard to inter-firm discussion the Recently Recruited Lawyer agreed with the Senior Partner, stating:

*The good thing about being in a big firm like this is that you have got people ... with all different levels of experience. You have the PARTNER who is the 'god' of everything, who knows everything and you might have a lawyer who is five years experienced who you just bouncing ideas off him to see how to go so I think that is how they receive, whether it is called training I don't know but it is umm a learning process. It is just being in a big firm is just everyone can bounce ideas off everyone and I think that is a way of learning.*

The Recently Recruited Lawyer managed to look a little wider than the Senior Partner when asked about cooperative inter-firm work and suggested that:

*There is agency work and that is obviously for international firms they get us to do work that, they cannot work here in Tassie because they need a Tasmanian person doing it, so yes as far as agency work internationally we do work with other practices.*

Within Tasmania the Recently Recruited Lawyer said that the firm does not 'work' cooperatively with other firms, however:

*...obviously you can always ask other practitioners within Tasmania for their knowledge, what they know of the subject, they might be able to give you tips on how to address a problem ....*

With regard to socialising the Recently Recruited Lawyer said that Friday night drinks at work provided the staff with a time to socialise, but inevitably about work. She noted that when a social event was held outside of the office, like a work lunch or the

staff netball team, the connection with the work environment is broken and work related conversation reduces dramatically. She also pointed out the difference between socialising with administrative staff and socialising with professional staff.

*I think you have the distinction between the legal professional and admin staff because when you are out with our admin staff we find that we don't talk about work at all, but when you are out with other professionals, like the other solicitors in the firm, you do tend to talk about work more so than what you when socialising with the admin.*

The Recently Recruited Lawyer felt that the firm does not attempt to socialise with external legal professionals, but was able to say that she knows of two legal firms that regularly invite each other over for Friday night drinks. She did say that her firm would invite other 'professionals' over for drinks, eg: real estate agents that the firm cooperatively works with. She felt the only time she might socialise with legal professionals external to the firm is if she goes out on Friday night and in "...an unstructured way you socialise with other legal professionals". She did see other opportunities like the "...inter-company challenge within the fun run this year and the BBQ afterwards..." as a chance for firms to socialise informally.

The Legal Clerk had little to offer about ways that knowledge is converted and did not believe that socialising played a role in gaining knowledge in his job as there was a set pattern "Everyone does his own work and that's it".

#### **4.4.2 Knowledge Sharing Culture**

The Senior Partner and the Recently Recruited Lawyer did not speak about the knowledge sharing culture. The Legal Clerk made a brief note about how friendly the firm is and how this is important in the sharing of knowledge.

#### **4.4.3 Recognising Intangible Assets**

The Senior Partner had no difficulty identifying intangible asset. Firstly, he identified the knowledge workers:

*...the personnel, although they are kind of tangible things, you can put your hand on them, but their reputation is I guess intangible...*

He spoke at length about reputation being an intangible asset. He noted that the reputation of previous practitioners does not leave the firm and gives the example of past partners of the firm

*...I mean it is not unusual for people to come in and talk about ANONYMOUS 1 and he has not been here for 30 years, you know, ANONYMOUS 2, ANONYMOUS 3, ANONYMOUS 1 and ANONYMOUS 4. They talk about ANONYMOUS 2 who has not been here for 20 years, you just don't lose it.*

Goodwill was recognised as an intangible asset, the Senior Partner describing it as "...an intangible asset that should never be discounted...". The Senior Partner described how goodwill is developed.

*... [goodwill] is developed through the people that are there and through their integrity in relation to them, honestly and business acumen and their advice to clients umm and you know the reputation is very important ...*

The name and reputation of the firm were both identified by the Senior Partner as intangible assets, however he noted that the name and reputation were constructs of the goodwill of Firm C. The Senior Partner interestingly stated that the 'ethos' of the firm was an intangible asset.

The Recently Recruited Lawyer spoke about how the legal knowledge of other lawyers was an intangible asset. The Recently Recruited Lawyer believed one of the largest assets to the firm was a particular partner.

*... I have to say that one of the hugest assets of this firm would have to be ANONYMOUS um and whilst he was not appointed judge, I am very happy about that, because I have got his expertise for the next couple of years at least anyway and then, so that is good.*

The Recently Recruited Lawyer also recognised the goodwill of Firm C.

The Legal Clerk felt that "... the members of the firm...would be enough to sell anything..." and as such were one of the largest intangible assets. Further more the Legal clerk recognised the goodwill of the firm as an intangible asset.

None of the interviewees identified anything belonging to the external structured as intangible assets. The Legal Clerk whose work solely concerned probate work (the

closing of estates) raised an interesting point in that his client base is dead. Thus his work does not involve a client and may explain why he did not recognise the client as an intangible asset.

#### **4.4.4 Measuring Intangible Assets**

Senior Partner suggested that any measurement of knowledge workers should be conducted generally to examine ‘whether it is there or not’:

*...to evaluate that I think it is just an assessment of what people will comment about the ability of your staff or your partners. You know a number of clients will say I know such and such he is a partner here and you know he is very, very good and that is how you evaluate it you don't put a cost on it, a value on it, you can just assess 'whether it is there or not'.*

The Senior Partner then explained how goodwill is measured by his firm. However, not surprisingly, it was a financial measurement essentially based on previous earnings and the number of partners. The Senior Partner laments:

*... I am not sure from an accounting point of view that that is accurate because it is only really assessed on one basis and that is probably past earnings. It does not come down to future maintainable earnings or you know anything like that. Past earnings is one measure and one measure that lawyers, these lawyers here are happy with. I mean I have an accounting degree so I, and so do some of my partners and they know of other basis, but anyway I am happy with that sort of assessment.*

The Recently Recruited lawyer suggested that knowledge workers could be measured by the number of referrals generated, however did note that referral's “directly translates to dollar values” and hence it becomes a financial measure.

Consistent with the fact that none of the interviewees identified anything belonging to the external structure as intangible assets, none of the interviewees suggested any way that the external structure could be measured.

#### **4.4.5 Managing Intangible Assets**

With regard to managing knowledge workers the Senior Partner identified two types of employees; professional staff and secretarial staff. He said that recruiting

secretarial staff was a simple task of looking for "...ability in what they are doing...", there was no need to "...look for a compatibility in the hope that they [secretarial staff] will fit in, that is a different thing about professional staff, we really do need to have a trust and understanding with your professional staff." The Senior Partner described the more complex process of recruiting professional staff with the adage "...horses for courses...". The Senior Partner broke down professional staff into two categories; experienced professional employees and graduate professional employees. Experienced professional employees are appointed with regard to their experience.

*We have just appointed a new professional person. We appointed them because first of all they had the experience in the area we wanted ... secondly because they ... had a demonstrated ability to be able to apply their knowledge and experience to what we wanted and thirdly they were very personable, we saw that they would fit in with us and that is compatibility here in the office is important.*

Graduate professional employees are recruited in a very different manner.

*...first of all probably look at their manner and presentation first of all, their communication skills, ahh then their legal ability because their legal ability does not necessarily translate into being competent with clients and things like that. We need someone who can associated with clients and people like that and their problems but and also know how to help them in their legal problems, but it is really their manner and personality and communication skills and that we are looking for.*

The Senior Partner stipulated that recruits are only used for the purpose they are employed for. He expressed that all recruits go through a 6-12 month probationary period, during which tasks include:

*We ask them to do opinions and help the person doing that opinion in dealing with that file. The client contact is not significant ... We certainly don't use them for doing, certainly new solicitors for doing things that can be done by sort of lesser staff if you like. There is a few jobs you have to do, we all have to do as young solicitors but um that is a part of growing up and doing because you have to have an understanding of that.*

With regard to managing the external structure the Senior Partner only mentioned clients. The Senior Partner expressed how historically the client base of the firm has been the 'mums and dads' of Hobart and the firm honours this and as such the firm is forced to practice over numerous areas of law. The Senior Partner suggested that in



the last 15 years the firm has adopted a dual approach to managing clients. This has been bought on by a number of the lawyers developing a level of expertise that has become recognised and is now sought after by corporate clients.

The Senior Partner noted that if a client comes in with a matter outside of the firm's expertise it is important to recognise your professional limitations, and take advice from someone else. However, since the firm is such a general firm, there are few areas of law that the firm is not interested in and where possible the firm will stay involved with the matter so that it can build its legal knowledge.

The Recently Recruited Lawyer spoke at length about how the firm managed knowledge workers, in particular new recruits like herself. The Recently Recruited Lawyer identified two different stages when employing a new recruit; the initial recruitment and the retainment after the probationary period. The Recently Recruited Lawyer believes that at the initial recruiting stage the firm looks for "... marks, not brilliant marks...", "...a good understanding of the law...", "...a diverse ability..." and "... someone well rounded...". After the initial recruitment, a lawyer is placed in one set area of the firm, and spends the whole probationary period there. The Recently Recruited Lawyer describes the probationary period as "...more of a sink or swim type of thing."

*They don't give you much instruction before they chuck you in the deep end, they kind of put you in the deep end first off and it is up to you to ask for help or work out then if you are having troubles then go and ask for help and if you can have a good crack at it before you go and ask they like that, they appreciate that too because they are extremely busy and if you can hold your own to some extent then I think they like that .*

The Recently Recruited Lawyer believes recruits are used very well, particularly now that graduates have been given full appearance rights in Tasmanian courts. She states the difference with many other firms is:

*...we are productive for the firm, whereas some firms they don't give you files you know and you are more like a, not a burden, but it is tougher to make your own wage.*

No recruited graduate is guaranteed a job after the probationary period. In deciding to employ a probationary graduate permanently the Recently Recruited Lawyer believes

the firm looks for "...initiative...", "... if you know what you are talking about, interaction with the clients..." and "...basically how well you have done your job...". Interestingly the Recently Recruited Lawyer stated that since "... this firm has an excellent reputation for using and using recruits...if you are not being kept on ... you have a very sound basis..." to find other work.

The Recently Recruited Lawyer also identified how the external structure of Firm C was managed. She recognised that the operation of three speciality practices in family law, commercial law and criminal law attracted different clients to the general practice and was aware that the general practices remained to cater for the 'mums and dads' of Hobart. However the Recently Recruited Lawyer did not demonstrate a full knowledge the role the clients played.

The Legal Clerk felt unable to provide information on how intangible assets were managed, however he did say that recruits were only used for the purpose they are employed for.

#### **4.4.6 Knowledge Strategy**

Firm C's knowledge strategy involved a general practice of law, from which developed a number of specialist practices. The Senior Partner expressed that Firm C is starting to focus on areas of expertise, however that there had never been any long term plan to develop specialist legal knowledge, rather an awakening to its gradual development and appropriately a decision to capitalise on its existence.

The Recently Recruited Lawyer recognised knowledge was a strategic resource and explained how passing knowledge to a new professional recruit like herself would provide the firm with future advantage.

*So when I speak to someone about some area, next time I am not going to have to go and ask them again because I know, I know the area so I suppose in that respect in the beginning it might seem costly, you know its not very cost effective, in the long run it is I have gained the knowledge that I can use from then on. So, which is always good cost wise because I can do work far quicker than I could before ...*

## **4.5 Chapter Summary**

Chapter Four provided an analysis of the data in an organisational context (Firm A, Firm B and Firm C). The analysis of the data collected will be discussed in Chapter Five and the findings produced will be given in Chapter Six.

## CHAPTER FIVE – DISCUSSION

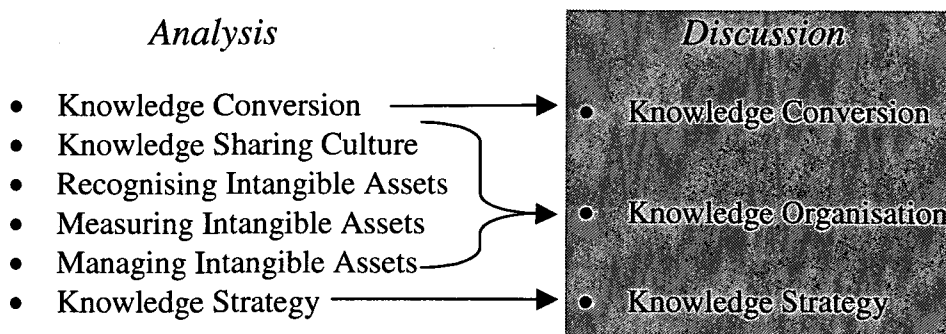
### 5.1 Introduction

Chapter Five is a discussion of the analysis reported in Chapter Four. In this chapter generalisations and divergences across the three firms will be explored.

The discussion will be in three parts:

1. Knowledge Conversion;
2. Knowledge Organisations;
3. Knowledge Strategy.

Figure 5-1 shows how the structure in Chapter Five has progressed from the structure in Chapter Four. The first part, knowledge conversion, will examine the methods currently used to convert knowledge in the three firms. This will be used to indicate which of the declared knowledge strategies (personalisation and codification) is preferred by each of the firms. The second part, knowledge organisation, clarifies whether the three large Tasmanian Law firms recognise themselves as knowledge organisations. This part unites four parts of Chapter Four; knowledge sharing culture, recognising intangible assets, measuring intangible assets and managing intangible assets. Finally, in knowledge strategy, informal knowledge strategies used by all three firms are explored and correlation found with the declared knowledge strategies.



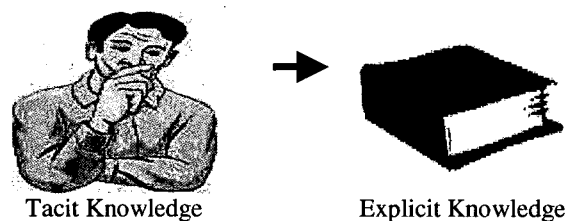
**Figure 5-1 Relationship between Sections contained in Chapter Four and Parts contained in Chapter Five**

## 5.2 Knowledge Conversion

The discussion of the analysis of ways the three firms convert knowledge will be conducted looking at each of the four forms of knowledge conversion suggested by Sveiby (1997) externalisation, combination, internalisation and socialisation. After each form has been discussed a summary will be used to show how the method of knowledge conversion used by firms indicates a preferential use of one of the two recognised knowledge strategies.

### 5.2.1 Externalisation

Externalisation is when tacit knowledge is converted to explicit knowledge (See Figure 5-2). Only one interviewee (Librarian from Firm B) directly recognised knowledge converted by externalisation. One possible reason for this low recognition is that the interviewees did not see externalisation as a valid knowledge conversion. Legal knowledge is recognised as tacit and as such a conversion that converts tacit legal knowledge into explicit knowledge is contradictory to what is understood about legal knowledge.



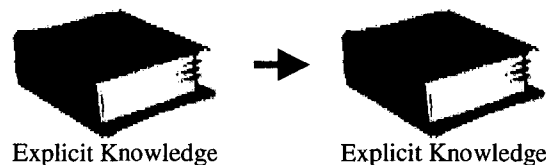
**Figure 5-2 Externalisation**

It is interesting that externalisation was not more widely recognised as from observations this form of knowledge conversion is a daily activity for lawyers. Lawyers take their tacit knowledge and convert it to explicit knowledge for example; letters of advice, case notes, leases, contracts and wills. The predominant reason for externalising knowledge is financial profit. Explicit knowledge represents a physical product and clients can more easily reconcile having to pay for it. Tacit knowledge provides an inferior product for a consumer society holding to principles of the industrial paradigm.

The Librarian from Firm B spoke about how the library produces a weekly newsletter on new cases and legislative change. Here tacit knowledge was converted into explicit knowledge, interestingly not for financial profit, but as a resource for the firm.

### 5.2.2 Combination

Combination is when explicit knowledge is converted to explicit knowledge (See Figure 5-3). As the parameters of explicit knowledge are well defined such knowledge can be placed in a Knowledge Management System (KMS). None of the three firms had a high end Knowledge Management System (KMS) as defined in the literature review. However interviewees at both Firm A and Firm B recognised low end KMS's, namely; e-mail, document retrieval systems, and Intranets.



**Figure 5-3 Combination**

Both the Librarian and the Recently Recruited Lawyer at Firm A recognised that e-mail is used by staff to circulate work (explicit knowledge) that is considered of interest to other professional staff and to inform staff of changes in practice. The Recently Recruited Lawyer at Firm B recognised e-mail was a common way of converting knowledge with clients, but said nothing about its use within the firm. She did note that explicit forms of knowledge conversion with clients often cause confusion, as sarcasm cannot always be conveyed. What the Recently Recruited Lawyer at Firm B was pointing out, was the fact that explicit knowledge loses its contextual existence and therefore is at risk of being misinterpreted.

Interviewees from both Firm A and B recognised the existence of document retrieval systems. What was interesting was that it was not so much the young Recently Recruited Lawyers that primarily recognised its existence, but the Senior Partners. While the Senior Partners had not recognised e-mail, they clearly identified the efforts that each firm was directing towards the formation of a document retrieval system. The Senior Partners were sincerely interested in the creation of a document retrieval system. While they seem to grapple poorly with some of the key concepts their

support for document retrieval systems was not tokenistic. Senior Partner from Firm B expressed how he would like to be able to "...press a button here and get an opinion from ANONYMOUS on something to do with trade practices..." but states how the document retrieval system is presently unable to do that. Firm A's document retrieval system could not perform searches either and presently relied on staff informing each other about documents that are stored on the system. As such both systems were very much in their embryonic stage and did not fully constitute a document *retrieval* system.

The Senior Partners in both Firm A and Firm B felt that the document retrieval system was a task for the librarian. This is consistent with literature from the USA (Platt, 1998; Platt, 1997). The Librarians in both these firms have seen the development of a document retrieval system as an extension of their ordinary duties and willingly engaged in building the system. There are a number of advantages to allocating the management of a document retrieval system to the library. Firstly, the library is a neutral ground and shared by all staff, as such it provides a suitable entity to control a system that all staff should use. Secondly, the library has long controlled resources and it appears a natural extension for the library to manage electronic explicit knowledge. The library is a business unit that delivers intangible benefits to a law firm at financial cost, likewise a document retrieval system provides intangible benefits at a financial cost. There are also potential disadvantages, librarians, while perfectly competent, may not have all the skills required to construct document retrieval systems. As such systems are complex they may fail due to poor design. For example a serious limitation of Firm A's system is its inability to search, which means that it is no different to encouraging staff to save work on their personal computer (in fact, such a measure would perhaps be stronger as it would mitigate the chance of losing all the work if that one machine crashed). Knowledge workers can also become disenchanted with a system that fails to meet their basic requirements and will not contribute to it. Document retrieval systems should be appropriately funded and constructed by professionals if the organisation is to derive benefit. The library is an appropriate place to position such a system and the librarian is perhaps the appropriate person to maintain such systems, but their design and implementation should be conducted by professionals (DeAngelis, 1998).

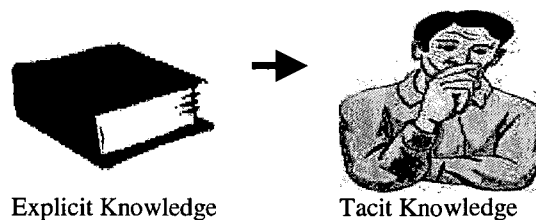
The Recently Recruited Lawyer and the Librarian from Firm B both identified the future creation of an Intranet as another way explicit knowledge is converted at a low level. The Librarian talked about the Intranet as part of the ongoing strategy to:

*...increase the sharing of knowledge within the firm between professionals and the sharing of knowledge between professionals and clients in a more coordinated way...*

The Intranet was perceived as a solution to communication problems that naturally occur in larger organisations. The Recently Recruited Lawyer however was well aware that the success of the Intranet was hinged on partners in Firm B learning how to use the technology. This is highly consistent with comments by Thomas Davenport (Mitchell, 2000) who states that senior lawyers need to learn how to use web-based technologies if knowledge management is ever going to succeed.

### 5.2.3 Internalisation

Internalisation is when explicit knowledge is converted to tacit knowledge (See Figure 5-4). This form of knowledge conversion was recognised in only two forms: professional reading and 'doing the work'.



**Figure 5-4 Internalisation**

Professional reading was widely recognised in Firm A and Firm B. The reason given, being the need for lawyers to keep their knowledge up to date. The Recently Recruited Lawyer in Firm B saw this as particularly important for specialist practitioners who receive their own publications.

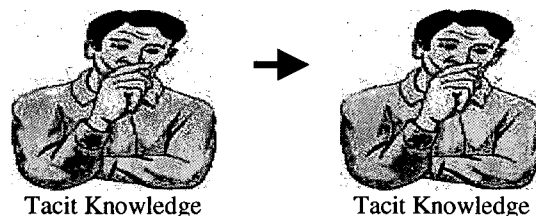
This form of knowledge conversion was only recognised at Firm A and by both the Recently Recruited Lawyer and the Senior Partner. The Senior Partner felt that for the experienced lawyer this is the way that they most commonly receive knowledge.



In his words 'every day poses a new problem' and this 'new problem' is a new set of explicit facts that experienced lawyers can use to extend their legal knowledge.

#### 5.2.4 Socialisation

Socialisation is when tacit knowledge is converted to tacit knowledge (See Figure 5-5). This was the most highly recognised form of knowledge conversion with all interviewees recognising it in numerous forms. This trend is consistent with the literature (Spaeth 1999), which suggests that while the legal profession tries to minimise the role of socialisation as it appears to be learning something by chance, in the end it will always rely on socialisation to increase legal knowledge. The ways in which the legal profession utilise socialisation are: master apprentice relationship, cooperative intra-firm work, cooperative inter-firm work, internal seminars, external seminars, socialising and gossip.



**Figure 5-5 Socialisation**

All interviewees at all firms recognised a master apprentice relationship where knowledge is passed to inexperienced staff. The Recently Recruited Lawyer at Firm B gave some very valid points about the master apprentice relationship, which the author has developed into the following three points. Firstly, the master should be someone that the apprentice can relate to because without this contextual relationship the conversion of tacit knowledge will be impaired. Secondly, the relationship is two way and as such the apprentice should respect the relationship with the master so as to facilitate knowledge conversion. Thirdly, a firm should always be careful in selecting masters as, just like a driving student will learn the bad habits of his instructor, so will an apprentice learn the bad habits of his master. These three points are small obstacles for most firms because the master apprentice relationship will undoubtedly remain one of the strongest forms of knowledge conversion in the legal profession.

All interviewees at all firms recognised some level of intra-firm cooperation, but it was made quite clear that lawyers normally operate as individuals. At Firm C the Senior Partner and the Recently Recruited Lawyer spoke about the benefits of intra-firm 'discussion'. That is, the ability to discuss legal issues with other staff, whether it is seeking legal opinion or just 'bouncing' ideas off other lawyers. The Senior Partner (Firm C) felt that the ability to discuss issues with the many peers at his firm was an advantage larger firms had over smaller firms. Since less sizeable firms are not based on a collective range of expertise, the senior partner said that this was a distinct advantage. Senior Partner from Firm B agreed, suggesting that this form of knowledge conversion was just as important for experienced lawyers as inexperienced and was the main way he felt senior professional staff increased their knowledge. An enabler to intra-firm discussion is the 'open door policy'.

Interviewees at Firm A and Firm C spoke of a formal open door policy that meant that all staff had to be open to inquiries from other staff. Firm B spoke of an informal open door policy, but I suspect that it held as much weight as the formal policies at Firm A and Firm C. An open door policy is a good way of encouraging knowledge conversion, however the Recently Recruited Lawyers at Firm B and Firm C highlighted some of the dangers. The Recently Recruited Lawyer at Firm B stated that the open door policy was floored by the fact that it meant that staff often had to 'stumble' across knowledge. The Recently Recruited Lawyer at Firm C said that such a strategy also relied on the person seeking the knowledge to be confident in asking for help, an action that she implied could be seen as a sign of weakness and hence discourages younger staff from benefiting from open door policies.

Interviewees were directly asked if they ever worked jointly with other practices in Tasmania, interstate or internationally. The word 'jointly' was found to confuse interviewees. When clarification of the term was requested the response adopted was that jointly meant that the firm worked 'cooperatively' with another firm at any point. I suspect that interviewees were not so much confused by the term, but perhaps embarrassed by the answer and thus sought to establish if I was really asking what they thought I was asking. For example, the Senior Partner at Firm C who had diligently answered every question in detail up to this point, sharply answered "No, no and no" after reading the question and I had to resort to probing questions to gather

more explanation. It would appear that Senior Partners at all firms were more reluctant to talk about working cooperatively with other firms. However, Recently Recruited Lawyers spoke at length about how the firm had 'agency work' from interstate (Firm A and Firm C) or often did the 'leg work' for large interstate firms that send their Queens Counsels (QC's) down to Tasmania occasionally. What was discovered was that all firms worked cooperatively to some level with interstate (and very occasionally overseas firms), but did not work at all with firms in Tasmania as they were seen as a threat. The Recently Recruited Lawyer at Firm C noted that sometimes you might ask informally for advice from a lawyer at another firm and they 'might' give it to you, but that was the extent of cooperative work in Tasmania. The Senior Partner at Firm A suggested that "...it is very rare that we work jointly on a particular matter simply because the confusion of who's doing what and professional jealousy and other things." Since most firms demonstrated the ability to work cooperatively on an interstate level, it is suggested that 'the confusion of whose doing what' is only a small reason for not working cooperatively in Tasmania and the real reason lies in the second half of the Senior Partners' (Firm A) statement, 'professional jealousy and other things'. Since other firms are seen as competition (Recently Recruited Lawyer, Firm B) and Tasmania is perceived as too small to work cooperatively (Recently Recruited Lawyer, Firm A) lawyers tend to isolate themselves in their own firms and form professional jealousies.

I suspect that the adversarial nature of our legal system has much to do with the reason local firms do not work cooperatively. Lawyers in an adversarial legal system perceive themselves as combatants in a fight for justice on behalf of their client and as a consequence create 'battle lines' with their 'enemy'. A large Tasmanian firm will not normally 'fight' against an interstate firm and thus battle lines are never created and the ability to work cooperatively exists. However, in the smaller and more localised Tasmanian legal fraternity any firm could be your next enemy and thus the invisible battle lines are kept in place. As knowledge is the lawyers weapon these battle lines exist so as to prevent knowledge conversion between firms. The consequence is that knowledge is not developed fully and lawyers are left fighting with poorly developed weapons. By removing some of these battle lines, better legal knowledge can be formed and better precedence created and one day potentially an improved legal system. The Recently Recruited Lawyer at Firm B did mention that

Firm B worked cooperatively with the Crown solicitor because they were not seen as competition. This shows that the ability to work at a localised level does exist, but only if the legal firm decides to that person is not competition. I suggest that there are two main reasons that the Crown solicitor is not perceived as an enemy. Firstly, the Crown solicitor has certain duties to provide certain information to legal firms in line with the Government's position on greater Freedom of Information (FoI) and public accountability. By revealing such knowledge (normally explicit), the Crown solicitor has shown an act of good faith, which further enables the conversion of knowledge. Secondly, the Crown solicitor is not going to affect the client base of a legal firm. A victory by a Crown solicitor cannot attract clients (and their money).

Only interviewees at Firm A offered any form of internal seminars for professional employees. The Recently Recruited Lawyer told of how internal seminars were put on at lunchtimes about once a month, but this had not occurred for a while. This form of knowledge conversion is referred to by Davenport and Prusak (1998a) as 'knowledge fairs' and should be highly encouraged by knowledge organisations. Librarians at both Firm A and Firm B offered training concerning the library.

Interviewees suggested that all law firms used external seminars, training courses and conferences as a means of tacit knowledge conversion. However, the emphasis placed on such courses varied greatly. The Senior Partner at Firm A said that his firm looks out for courses and 'we suggest people go to them'. The Senior Partner at Firm B said that his firm 'encourage, if they suggest' a course they would like to go. Note the emphasis has now shifted onto the employee to find the course. Finally at Firm C the Senior Partner said that continuing legal training was not compulsory and such courses were completely up to the individual to attend. Interviewees at Firm A and Firm B recognised external seminars as important for all staff, experienced or non-experienced, as a way of converting tacit knowledge.

Interviewees at all firms spoke about the role of the Law Society in providing external seminars. Furthermore the Senior Partner at Firm B spoke about the new mandatory legal continuing education program. He felt that this was a good thing and recognised that many other professions (accountants and doctors) have such schemes in operation.

Interviewees were asked about how they socialised with other lawyers and how often issues relating to work arose. Interviewees consistently isolated two different social setting (inside the firm and outside the firm) and isolated two distinct groups of lawyers (those who are employed by the firm and those employed externally to the firm). The results were fairly uniform which enabled the creation of a simple table (See Table 5-1).

**Table 5-1 Regularity that Issues relating to Law enters into Conversation**

	<b>Socialising Inside the Firm</b>	<b>Socialising Outside the Firm</b>
<b>Lawyers (Internal)</b>	Commonly	Sometimes
<b>Lawyers (External)</b>	Rarely	Commonly – Young Lawyers  Rarely – Partners

Socialising inside the firm included activities like 'Friday night drinks' and shared lunches. The research confirmed what the Librarian at Firm B believed, that "...most firms are fairly sociable..". All interviewees recognised that conversation with other lawyers (employed at the same firm) at such events 'inevitably' returns to matters of work. It was noted that when socialising inside the firm, lawyers external to the firm are seldom invited and thus matters of law are rarely spoken about with them in these settings. The Recently Recruited Lawyer at Firm C noted that while Firm C don't invite other lawyers over for 'Friday night drinks', she was aware of two firms in Tasmania that alternate offices for Friday night drinks. Such a practice would encourage tacit knowledge conversion between the external staff of the two firms. The office environment would make it difficult for the two firms to avoid talking about work and the fact that for many of the staff it would be their only shared link would mean that it would be a common topic of conversation! However the Recently Recruited Lawyer from Firm A pointed out the risk with sharing knowledge with externally employed lawyers is that you have privileged information that lawyers are obligated not to share. An example of privileged information would be confidential client information, where sharing it would result in a breach of the lawyer-client

fiduciary relationship which have dire consequences for a practising lawyer, to say nothing of the client.

Socialising outside the firm includes activities like sport, night clubbing and even elements of external seminars. Unlike socialising within the firm, there are differences between how the Senior Partners and the Recently Recruited Lawyers socialised outside the ordinary operations of the firm.

Senior Partners at all firms consistently stated that they avoided contact with external lawyers when socialising outside the firm. As Senior Partner at Firm B put it ‘...if I go and mix with other lawyers all we do is talk about law again, I really don’t want to talk about it.’ All Senior Partners appreciated a separation between their private lives and their work lives and thus would ‘stay away’ from lawyers when socialising outside of the firm. Two exceptions existed. The first was perhaps best stated by Senior Partner C who said that some level of socialising existed among partners of a firm external to the operations of the firm and that unavoidably conversation does return to work occasionally. The second exception was only reported by Senior Partner B who said that when at conferences he will often socialise with partners from similar size firms to exchange useful tips on how to deal with management issues. He felt that it is not so much legal knowledge that is passed, but operational knowledge. His comment raises an interesting side point about the growth of law firms and the appropriateness for partners who, while highly skilled and educated, do not have the required management background to run such firms (James, 1999a). It is inappropriate in the present study to explore this further, but the Senior Partners comments do demonstrate how important socialising among people with similar issues can be to building knowledge in an area that requires further development.

Recently Recruited Lawyers shared similar sentiments to their Senior Partners. The Recently Recruited Lawyer from Firm C described the practice of socialising with other lawyers as really quite ‘sad’. However all Recently Recruited Lawyers admitted that they often found themselves socialising with other lawyers and talking about work. This is consistent with comments from the Senior Partner from Firm B who suggested younger lawyers socialise more together and admitted that he did so in his ‘earlier days’. The Recently Recruited Lawyer from Firm A lamented that she would not choose to make lawyers her usual social contacts, but in a small place like

Tasmania it is impossible avoid it. She went on to say that since work is the only thing you have in common you always end up talking about it. The Recently Recruited Lawyer at Firm C spoke about the distinction between socialising with support staff and professional staff of the firm in external settings. She noted that with support staff you never talk about work, but in the same external setting limited with professional staff, you might talk about work. What this demonstrates is the far greater contextual relationship that exists between lawyers, than between lawyers and their support staff. This contextual relationship is so strong between lawyers that it still exists outside of the work environment, thus allowing knowledge conversion. Comments made by Recently Recruited Lawyer from Firm A who felt that she avoided socialising with external lawyers after losing a case because you always get 'you should have done this' or 'why didn't you do this'. This suggests that tacit knowledge is passed in the way of advice, even if it is unsolicited. Consequentially in talking about work tacit knowledge is shared and tacit knowledge grows. This is especially important for inexperienced lawyers and lends the researcher to suggest that this is why younger inexperienced lawyers do not actively avoid socialising with other lawyers external to the company in the manner experienced lawyers suggest they do.

Interviewees at both Firm A and Firm B identified the role gossip plays in converting tacit knowledge. Gossip is not ordinary conversation, but 'idle talk, often about the affairs of others' (Heinemann Australian Dictionary, 1976). While it can be conducted during socialising it is quite distinct to socialising. The Recently Recruited Lawyer at Firm A confirms this difference between gossip and socialising when she said that talking with other lawyers forced you into "...either gossiping about others in the law or talking about the work you are doing." Since it is not always possible for lawyers to talk about their work (for reasons of client confidentiality) it appears that they become quite well practised gossipers. Both the Senior Partner and the Recently Recruited Lawyer at Firm A recognised that gossip is mainly used to pass operational knowledge like what work is around and who may have just lost a large client. An example of this was the rich story told by the Recently Recruited Lawyer at Firm A. Here knowledge was passed about a failed mortgage fund. Such knowledge was passed in the form of gossip, but the knowledge was substantial and would have acted as a warning to other lawyers operating mortgage funds. Furthermore, the knowledge

may have related to the departure of clients from that firm with the failed mortgage funds. Since clients are not only a financial resource, but also an important part of a knowledge organisational knowledge base, they would be a valuable bonus if collected by any of the other law firms.

Gossip also plays an important role in passing on operational knowledge within the company. For example the Librarian at Firm B planned to create a gossip page on the new Intranet to allow knowledge to be passed around the company. She felt that the gossip page was important as it makes everyone feel involved and is important to give a 'whole organisation' feeling to a firm that is divided into many separate practice areas. Clearly, there are some dangers in allowing staff to enter their own gossip, but the idea is valid and large organisations with well-established knowledge management strategies have Intranets with internal gossip pages (for example Xerox).

The emergence of gossip as a dominant form of knowledge conversion (at least in Firm A and Firm B) encouraged further investigation of literature as nothing became apparent about the role of gossip in the initial literature review. The further investigation only resulted in one small reference to gossip.

People share information about who has left the company or moved to new projects, who has recently become surprisingly useful sources of knowledge, and who has become unexpectedly reticent.

If this sounds a lot like gossip, it is. Most corporate gossip is a form of knowledge transfer about internal processes. As the eminent organizational expert James March has noted, gossip in the workplace – often considered wasted time – is the way the company's knowledge network updates itself (Davenport & Prusack, 1998: 38).

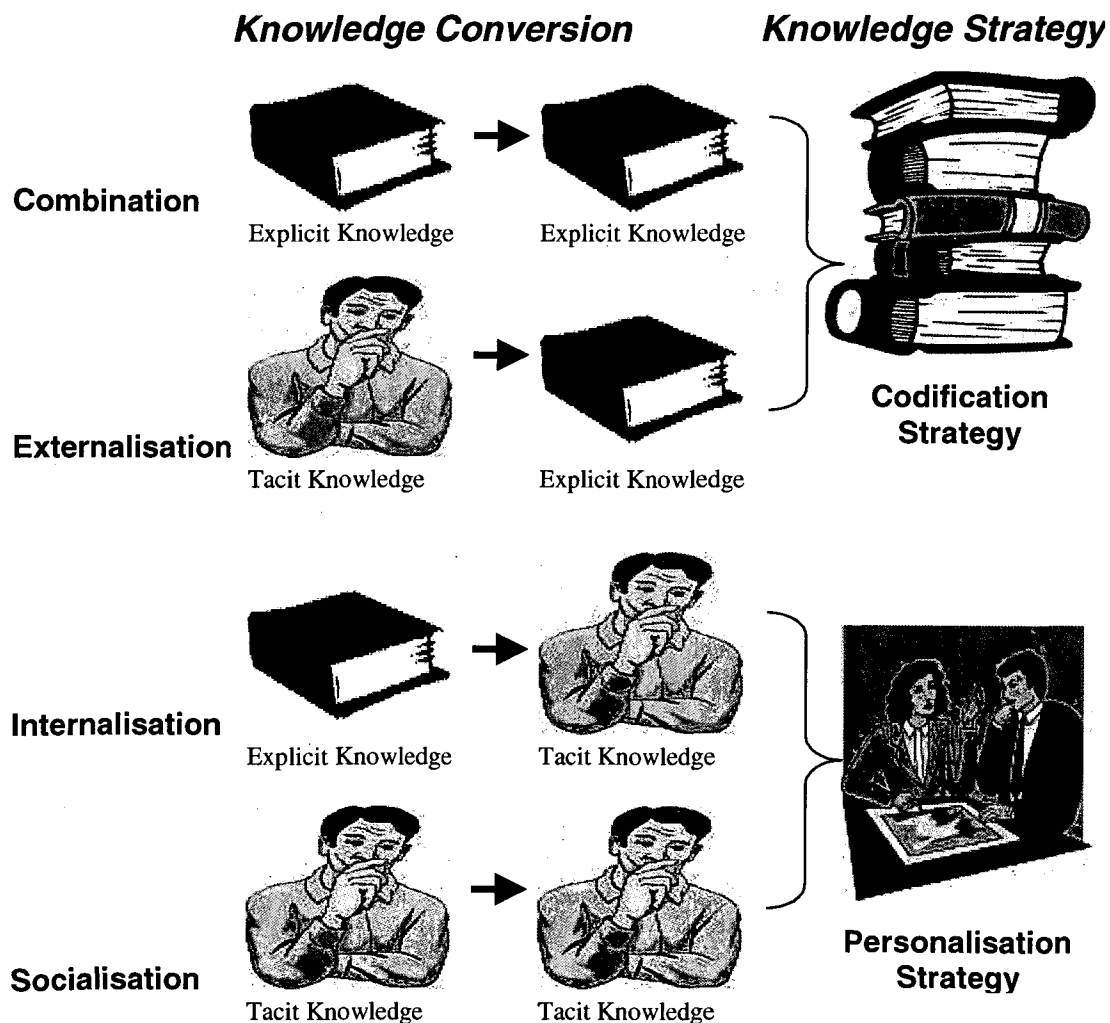
This strongly supports my suggestion that gossip is used to pass on operational knowledge. It mentions nothing about the role of gossip for passing knowledge external to an organisation, but does not reject the idea that gossip can be used to pass knowledge externally and internally. It makes the interesting point that gossip is a company's knowledge networks way of updating itself.

### **5.2.5 Summary of Knowledge Conversion**

Knowledge conversion strongly relates to the knowledge strategy practised by an organisation. In the present research, two knowledge strategies are being examined;



personalisation and codification. The personalisation strategy relies on conversion of tacit knowledge throughout organisations (socialisation) and the conversion of tacit knowledge from explicit knowledge (internalisation) so as to give the organisation a strategic advantage. The idea that socialisation and internalisation are linked in a single strategy has support in the literature (Sveiby, 1997), but is largely a proposition of the author. The codification strategy relies on explicit knowledge being converted throughout an organisation (combination) normally by way of Knowledge Management Systems (KMS) and thus requires tacit knowledge to be converted to explicit knowledge (externalisation) so as to populate the KMS. Building on Figure 5-2 to Figure 5-5, Figure 5-6 shows how the four different forms of knowledge conversion relate to the two knowledge strategies.



**Figure 5-6 How Knowledge Conversion Relates to Knowledge Strategy**

From Table 5-2 it can be seen that Firm A, Firm B and Firm C all dominantly used internalisation and socialisation which is consistent with a personalisation strategy. Firm A and Firm B partially used combination and externalisation methods, which are consistent with a codification strategy. As outlined before, the knowledge organisation may select to use both strategies, but what is important is a greater emphasis is always given to one. Clearly Firm A and Firm B are placing a greater emphasis on the personalisation strategy just by the varying ways that they convert tacit knowledge (socialisation).

**Table 5-2 Knowledge Conversion at Firms A, B and C**

	Knowledge Conversion				Dominant
	Combination	Externalisation	Internalisation	Socialisation	Strategy
<b>Firm A</b>	✓✓	×	✓✓	✓✓✓	<b>Personalisation</b>
<b>Firm B</b>	✓✓	✓	✓✓	✓✓✓	<b>Personalisation</b>
<b>Firm C</b>	×	×	✓✓	✓✓✓	<b>Personalisation</b>

It is important to note that because a law firm converts knowledge in a manner that is consistent with a particular knowledge strategy, it does not necessarily confirm that the law firm has selected a particular knowledge strategy, it merely indicates an organisational preference. A knowledge strategy is more than just the conversion of knowledge, it is also about formation of the right organisational culture and the recognition, measurement and management of intangible assets.

### **5.3 Knowledge Organisation**

A knowledge strategy can only be formally adopted by an organisation that understands itself as a knowledge organisation. This means that the organisation must firstly fit the characteristics of a knowledge organisation. It is well established that law firms fit all the characteristics of a knowledge organisation and thus this research did not investigate it further. However just because a law firm fits the mould of a knowledge organisation, does not make it a knowledge organisation. Thus the three law firms were examined in order to understand if the right organisational culture exists and also whether the firm recognises, measures and manages its intangible assets in away that suggests it is a knowledge organisation.

#### **5.3.1 Knowledge Sharing Culture**

The knowledge sharing cultures of law firms have undergone major transformations in the last 10 years. The introduction of electronic on-line resources (Brienza, 1999; Pacifici & Skalbeck, 1999), the growing recognition of the need for professional management (James, 1999a) and acceptance of 'softer' disciplines like marketing (Tabakoff, 1999a) have all had their effects on the organisational culture of law firms. Law firms are no longer stalwarts of tradition and rather can regularly be seen adopting new practices. An example of this was the fact that all three Recently Recruited Lawyers were female. Had this research been conducted ten years earlier, the employment of females would not have been so widespread.

The research recognised that a friendly and open knowledge sharing culture existed at all three firms. Both Firm A and Firm B quite openly and honestly recognised some difficulties with the actual pragmatics of sharing knowledge in a large law firm. This however, did not relate to cultural barriers, but the fact that knowledge is a lot harder to convert in a sizeable organisation. Cultural barriers like a prevailing attitude that efficiency of knowledge management may mean lower profits, an attitude that knowledge management would be time wasted or general scepticism were not shown by any of the interviewees. However, possible cultural barriers that interviewees indicated, included individualism and technology.

### 5.3.1.1 Individualism

As suggested in the literature review, individualism is a major barrier to knowledge conversion. At Firm A, the Librarian suggested that while it was an old fashioned idea that lawyers do not give away knowledge within a firm, she suspected that it still operated. Individualism is indoctrinated into lawyers, not only by law schools (Gottschalk, 2000b), but I suggest even by the layout of most legal offices. At the three firms in the study, I observed that all of them used open areas for the secretaries, while lawyers worked in individual offices. If the ideals of an open knowledge sharing culture extolled by Sveiby (1997) are to become reality, lawyers need to be pulled out of their offices and placed in open planned areas so that the value of informal knowledge networks can be recognised. Lawyers however hold dearly to their offices. From observation it was clear that the size and location of offices reflected a lawyer's position in the firm. I strongly doubt any of the three firms in the research would be able to move their lawyers out of their offices, and I suspect that the loudest cries would be heard from those with the most to lose. This means that Senior Partners need to explore other ways the firm can lessen the effects of individualism.

### 5.3.1.2 Technology

The Librarians at Firm A and Firm B both suggested that a conservative culture remains in law firms struggling to adapt to technological advances. The Recently Recruited Lawyer at Firm B recognised that technology has meant that many senior lawyers, who are highly regarded for their legal knowledge, are placed into a situation where they do not know anything. As a result, they avoid using the technology so as to evade possible criticism by others. From observation only two of three senior partners had computers. The Senior Partner at Firm B did not have a computer in his office. While Firm B was a modern practice that was attempting to install an Intranet it was apparently common for Senior Partners not to have computers. The Recently Recruited Lawyer at Firm B said that since she was perceived as a 'technology baby' she got the resources. The idea that computer resources should only be allocated where they can be well used is ill founded. All lawyers should receive desktop computers, particularly if, as it the case with Firm B, an Intranet is ever going to succeed!

All Recently Recruited Lawyers had computers and for all of them the computer was positioned centrally in their work area. I initially thought this was an indication of the importance the computer played in ordinary work. However, the Recently Recruited Lawyer at Firm C suggested it had more to do with the fact that as recent recruits they have such small offices that they did not have the room for a separate computer workstation, as is the case for some senior partners. This explanation not only dispelled the reason for the central placement of computers but also suggested that the lawyers, who were most competent and able to use computers saw computers in a secondary function supporting their work. They did not want the computer consuming their desk space and would rather place them elsewhere in their office so that they can be used as a resource when required.

### ***5.3.2 Recognition of Intangible Assets***

A knowledge organisation is constructed from three intangible assets: knowledge workers, external structure and internal structure. To discover if the three firms recognised themselves as knowledge organisations a question was deployed regarding what indicators they would use to evaluate a law firm's performance. The question was not directed towards seeking intangible indicators and as expected the majority of interviewees used financial indicators for example profit and loss of the firm. However, what was interesting was that all but one interviewee recognised indicators that were linked to intangibles and when prompted all were able to list multiple indicators of intangible assets. Table 5-3 shows the types of intangible assets the interviewees identified.

**Table 5-3 Recognition of Intangible Assets by Interviewees**

		Knowledge Worker				External Structure			Internal Structure					
		Generally	Legal Knowledge	Knowledge of Clients	Reputation / Integrity	Calibre of Client	Relation with Client	Client satisfaction	Recognised Speciality	Effectiveness / efficiency	Good Will / Reputation / Name	Ethos	Standard of service	Charge Rates
Firm A	SP													
	RRL													
	L													
Firm B	SP													
	RRL													
	L													
Firm C	SP													
	RRL													
	LC													

Notes: 1)

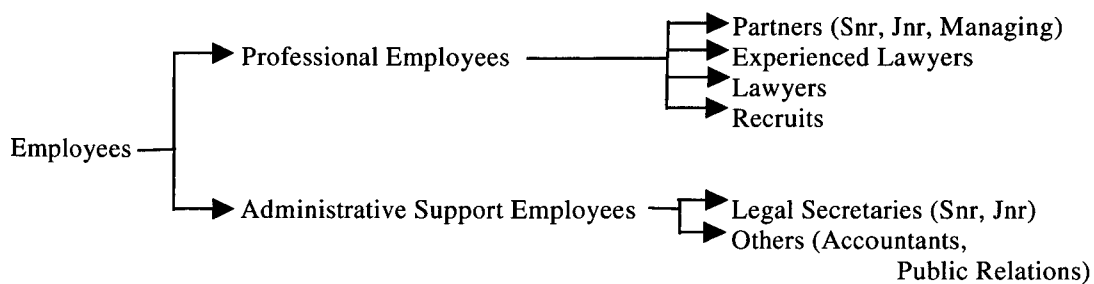
= Interviewee noted as intangible asset= Interviewee didn't note as intangible asset

2) SP = 'Senior Partner', RRL = 'Recently Recruited Lawyer', L = 'Librarian', LC = 'Legal Clerk'.

### 5.3.2.1 Knowledge Workers

All law firms visited generally divide their workers into two categories; professional employees and administrative support employees. The category of professional employees was normally limited to lawyers, while the category of administrative support employees was used to classify all other employees (See Figure 5-7). For the purpose of this study only professional employees are considered knowledge workers.

This is not just because professional employees fit the description of a knowledge worker, but also because this study focuses on legal knowledge, which has a restricted flow among the professional employees of a firm. Law firms understand this and thus the existence of a division between professional employees and administrative support employees. As discussed earlier, a professional employee easily converts legal knowledge with other professional employees, but finds it more difficult to convert legal knowledge with administrative support employees because of a lack of shared context. Thus, when examining knowledge workers in the legal profession only professional staff, that is lawyers, will be considered as knowledge workers.



**Figure 5-7 Categories of Employees in a Law Firm**

At Firm A the Senior Partner and the Librarian recognised knowledge workers as intangible assets. The Senior Partner recognised staff generally as being an intangible asset, while the Librarian suggested the knowledge held by knowledge workers on their clients made them an intangible asset.

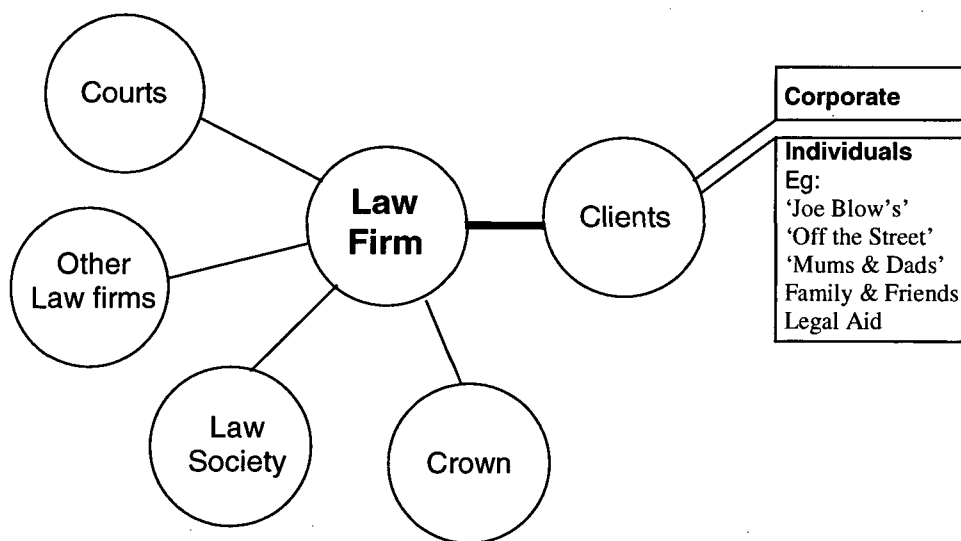
At Firm B only the Recently Recruited Lawyer recognised knowledge workers as an intangible asset. She recognised in particular their legal knowledge as an intangible asset.

At Firm C the Senior Partner and the Recently Recruited Lawyer both recognised that the legal knowledge of a knowledge worker was an intangible asset. Further more all interviewees recognised that the personal reputation of a knowledge worker was an important intangible asset. This personal reputation was quite different to the reputation of the firm. Personal reputation, like personal knowledge, is something that cannot be separated from the owner. A law firm may boost its reputation, just like it might boost its knowledge base, by employing a well regarded lawyer, but the

personal reputation remains the property of the lawyer and like knowledge, can leave the firm as quickly as it came.

### 5.3.2.2 External Structure

The external structure of a law firm is quite broad and includes many entities (See Figure 5-8). Throughout the interviews, a number of external entities were identified (the courts, other law firms, the Law Society and the Crown), however when it come to identifying intangible assets only the external relationship with the client was identified. I suspect that this is because the relationship with the client is far stronger than the relationship with any of the other external entities, as a law firm derives most of their intellectual and capital wealth from its clients. Law firms normally divide clients into two categories: corporate and individual. Corporate clients were consistent providers of work and normally had long-standing relationships with the law firm. Individual clients seldom require a lawyer and the length of the relationship with such a client varies greatly.



**Figure 5-8 External Structure of Law Firm**

At Firm A both the Senior Partner and the Recently Recruited lawyer recognised that the calibre of client that a law firm services is a strong indicator of the calibre of the firm. Essentially, the thought was that if high calibre clients are dealing with a firm then that firm must be of similar calibre. What this reasoning demonstrates is the fact that knowledge is shared between the firm and the client. If a firm has high calibre



clients it is receiving high calibre knowledge, thus forming high calibre legal knowledge superior to other firms (obviously there are also financial benefits of having such clients). The Librarian noted that “knowledge management ... is very much related to their relationship with the clients” and was quite aware that the client should be part of any knowledge strategy.

At Firm B both the Senior Partner and the Recently Recruited lawyer recognised the relationship with the client was an intangible asset. The Librarian suggested the satisfaction of clients was an intangible asset.

At Firm C not one interviewee recognised the external structure. I suspect that Firm C’s focus was largely internal and they failed to appreciate the value of external intangible assets.

### 5.3.2.3 Internal Structure

While the literature suggested that internal structure was the hardest of the three components of a knowledge organisation for people to identify intangible assets in, this research suggested otherwise. Interviewees easily identified intangibles owned by the organisation. I suspect that this has to do with the fact that law firms have operated for hundreds of years with few tangible assets and thus an awareness has developed concerning the intangible assets a firm owns.

At Firm A the Senior Partner suggested that a recognised speciality was an intangible asset. He noted that a lot of the larger interstate firms see it as important to be viewed as at the ‘top of the tree’ in one or more specialist areas. He also suggested that the effectiveness/efficiency of a firm is an intangible asset. The idea of an efficient internal structure as an intangible asset is recognised in the literature (Sveiby, 1997). The Recently Recruited Lawyer recognised charge rates as an intangible asset. This was quite interesting as initially I thought this was just another way of talking about the financial resources of a firm. However in contemplation I discovered that charge rates had a direct relationship to the reputation of the firm and therefore could be an indicator to show a firm’s ability to charge and could be considered an intangible asset. The Librarian believed the standard of service given by a firm was an intangible asset belonging to the internal structure. It is not so much the service that

she was highlighting, which is the product of knowledge workers, but the internal standards that knowledge workers have to achieve.

At Firm B both the Senior Partner and the Recently Recruited Lawyer suggested the goodwill of the firm. Goodwill is a concept that lawyers have understood for a long time and is essentially the value of the intangibles owned by the company.

Interviewees who spoke about the reputation of the firm and the 'name' of the firm always placed these intangibles within the category of goodwill and thus in Table 5-3 all three intangibles are grouped together. The Senior Partner suggested again that charge rates could be an intangible asset. The Recently Recruited Lawyer suggested that the standard of service by the firm was an important intangible asset as the firm would not accept 'mediocrity'. The Librarian thought the effectiveness and efficiency of the firm was an intangible asset.

At Firm C the goodwill of the firm was recognised by all interviewees. At no other firm did this occur. As stated earlier, Firm C was the only firm to recognise the reputation of knowledge workers, and again by all three people interviewed at Firm C. Firm C was very proud of its reputation and I suggest that this has internalised their focus to such a degree that they failed to recognise any element of their external structure. While Firm A and Firm B have a varied recognition of all three categories of intangible assets, Firm C focuses clearly on internal assets (knowledge workers and internal structure). If Firm C is to fully become a knowledge organisation it needs to shift its focus externally. Referring specifically to the internal structure the Senior Partner at Firm C recognised that the firms' ethos was an intangible asset. This was very interesting as ethos was not recognised by any other firm. Ethos is defined as "The prevalent tone of sentiment of a people or community; the genius of an institution or system" (Shorter Oxford Dictionary, 1944). From Table 5-3 a prevalent sentiment can clearly be identified operating in Firm C unlike either of the other firms. This is not to suggest that Firm A and Firm B did not have an ethos, but that Firm C's ethos is so strong that it was the only firm to recognise ethos as an intangible asset.

### 5.3.3 Measuring Intangible Assets

The three law firms contradicted the literature, which suggested that knowledge workers and external structure were the most readily measured intangible assets. None of the law firms presently measured their knowledge worker or their external structure, the only thing that firms attempted to measure was the internal structure, in particular the goodwill.

When a lawyer is made partner he normally has to purchase his portion of the firm's goodwill. Thus, for purely financial reasons firms make measurements of their goodwill. The Senior Partner at Firm C explained how his firm calculated goodwill as a measure of rolling profits from the last number of years divided by the number of partners. He was aware that such a measure was not truly reflective of the goodwill and as an accountant said that he was aware of better ways of measuring goodwill. For example, looking at future sustainable income. However, the firm is not so concerned about the fact that it is an accurate reflection, rather that some practical amount is formed that can be agreed upon. This idea is consistent with how the general law measures intangible assets. In equity, intangible contributions to the purchase price of a house are recognised by the court in *Baumgartner v Baumgartner* (1987). In the majority decision of Mason CJ, Wilson and Deane JJ, they held:

The Court should, where possible, strive to give effect to the notion of practical equality, rather than pursue complicated factual inquiries which will result in relatively insignificant differences in contributions and consequential beneficial interest (*Baumgartner v Baumgartner*, 1987: 150).

What their Honours were directing, was that the courts should not get tied down trying to give a factual value to intangible assets, but rather just give a practical value. Similarly, lawyers should not be concerned with how accurate the measurement they give intangible assets are, but rather they should pursue some practical measurement, as at the end of the day the difference between the factual and the practical measurement will be relatively insignificant. No matter how intangible assets are measured this remains an important point.

The Senior Partner at Firm C made the interesting comment that some law firms no longer make partners 'pay in' as they recognise that the partner is contributing their

personal knowledge and reputation which neutralises the value of the internal structure. The idea that intangible assets should be measured in forms other than financial values shows a heightened understanding of knowledge. Since there exist real dangers in attributing financial values to intangibles lawyers need to look for other means of measuring intangible assets using non-financial values.

#### 5.3.3.1 Measuring Knowledge Workers

The Senior Partner at Firm C showed an enlightened attitude when he suggested that when measuring Knowledge Workers "...you don't put a cost on it, a value on it, you can just assess 'whether it is there or not'." The idea of just looking for the existence of 'it' ('it' being legal knowledge), rather than trying to put a value on it, is consistent with the literature.

The Senior Partner at Firm A suggested that one measurement could be the 'happiness' of staff. His reasoning was that happiness means that workers are comfortable and enjoy working and consequentially they will perform and are unlikely to leave.

The Librarian from Firm B suggested that knowledge workers could be measured using standard staff evaluation techniques, but noted that unless conducted properly such an approach often disenchanted staff.

#### 5.3.3.2 Measuring External Structure

None of the firms measured any of their external structure, however all noted that it would be very beneficial to measure client relations. The Recently Recruited Lawyer at Firm B felt that the reason that the firm did not measure clients was that it might 'Scare them off!'. However, it should be noted that proper measurement of clients does not scare off clients, but normally shows the client that they are an important part of the firm and are valued. Methods that interviewees suggested that client measurement could be conducted were informal feedback, client surveys and to look at referrals generated by clients.

### 5.3.3.3 Measuring Internal Structure

While law firms did measure goodwill, other parts of their internal structure were not so well measured. The Senior Partner at Firm B suggested that one way this could be improved was the active participation in and use of national surveys of law firms.

### 5.3.4 *Managing Intangible Assets*

All three firms had clear ways of managing their knowledge workers and parts of their external structure, however none of the firms identified any way that they managed their internal structure. Given that internal structure was the most identified part of the knowledge organisation and also the only part that was measured by all three firms, it is quite interesting that it is now the only part that firms do not manage. Furthermore, the fact that knowledge workers and the external structure were not measured by any of the firms, yet both the knowledge workers and parts of their external structure can be managed, raises issues concerning the appropriateness of managing a resource that is not measured. Strangely the idea of managing a resource that is not measured is consistent with the literature (American Productivity and Quality Center, 2000).

#### 5.3.4.1 Managing Knowledge Workers

All firms recruited knowledge workers fresh from university. Generally three criteria were dominant in the selection process: academic strength, the ability to 'fit in' and experience (it should be noted that experience was not always considered essential). Firm B and Firm C identified that they also recruited experienced lawyers selectively for positions that might arise in the company.

While experienced lawyers are normally placed straight into the organisation, with a small amount of appropriate support, young inexperienced lawyers (those recruited straight from university) are managed differently. The managing partner of a large Australian law firm well known for its art collection states that the firm 'buys young artists early' and has had the 'odd lucky buy' (Tabakoff, 1999b: 94). It appears that law firms may take a similar approach with recruiting knowledge workers. If a firm purchases an old master they know the value of it. Likewise when a firm employs an experienced lawyer they know what they are getting. However, when a firm employs

a new graduate they have little idea of the future value of the employee. As such, law firms protect their investment in young recruits by carefully managing their integration into the firm. Both Firm A and Firm B placed new recruits on both 'sides' of the firm (commercial and litigation) so as to see where they showed the most potential. Firm C however employed new recruits specifically to one area and as such never explored where they might be best suited. All firms had some form of probationary period. For Firm A and Firm B this was the time spent on each side of the firm, for Firm C this was a period of around 6-12 months. At the end of the probationary period the new recruit would be placed in a permanent position. However, it should be noted that Firm B and Firm C both made it clear that if the person did not meet standards or failed to 'fit in', then the firm would not continue employing that person.

With managing experienced lawyers the Senior Partner at Firm B noted that it was normally more a matter of retaining them, than trying to get rid of them. The Senior Partner was the only person to mention the role of retaining staff which is seen as an important part of a knowledge organisations task of managing knowledge workers.

#### 5.3.4.2 Managing External Structure

Since it was thought that interviewees would find it difficult to talk about how the firm managed the external structure they were given a hypothetical situation of a client coming with an issue outside ordinary legal knowledge of the firm and then asked what the firm would do. Generally, all three firms would use the client to extend their legal knowledge as long as the client would not be adversely effected and the firm actually wanted to extend its legal knowledge in that direction. This demonstrated that clients are managed to extend the legal knowledge of a firm. Ways in which clients were managed include: attracting desirable clients (Firm B), retaining desirable clients (Firm A, Firm B and Firm C) and the shedding of undesirable clients (Firm B). Desirable clients are those who can add to the knowledge base of the company, not just the sort who are financially rewarding. As the Recently Recruited Lawyer at Firm B showed when she stated "The firm strategically looks for customers that the firm believes will benefit them, financially and in improving the knowledge in specialist areas of law." Firm B was the only firm that clearly managed the type of

clients it held. Firm B not only sought to retain their own clients, but also strived to attract new desirable clients and shed any undesirable clients.

#### 5.3.4.3 Managing Internal Structure

There were no comments by any of the firms concerning how they managed the internal structure.

### 5.3.5 Summary of Knowledge Organisation

All firms showed a general knowledge sharing culture with two possible barriers; individualism and technology. Neither of these barriers are unsurpassable and all three law firms showed some signs at attempting to cross at least the technology barrier. Table 5-4 provides a summary of the recognition, measurement and management of intangible assets of the three law firms and suggests whether the law firms operated as knowledge organisations.

**Table 5-4 Law Firms as Knowledge Organisations**

	Intangible Assets			Knowledge Organisation
	Recognise	Measure	Manage	
<b>Firm A</b>	✓	✓	✓	Yes
<b>Firm B</b>	✓	✓	✓	Yes
<b>Firm C</b>	✗	✗	✓	No

Firm A showed a general recognition of intangible assets. It did not measure any intangible asset other than its internal structure. It did manage its knowledge workers and to a degree its external structure. Firm A demonstrated that it did operate as a knowledge organisation. Firm B showed a general recognition of intangible assets, although it did not measure any intangible asset other than its internal structure. It did manage its knowledge workers and its external structure. Firm B demonstrated that it did operate as a knowledge organisation. Firm C showed a recognition of some of its internal assets (knowledge workers and internal structure), but failed to recognise its external assets. As suggested before, Firm C held an internalised focus that meant

that they failed to recognise any element of their external structure. Since the external structure is an important construct of a knowledge organisation, Firm C's failure to recognise its external structure cast some doubt over whether Firm C operates as a knowledge organisation. To clarify if Firm C does operate as a knowledge organisation the way that it measures and manages its intangible assets can be used as further evidence. Firm C did not measure any intangible asset other than its internal structure. However it did manage its knowledge workers and to a lesser degree its external structure. The way that it managed its external structure did not support the fact that it recognised the full importance of the external structure. Since Firm C failed to recognise, measure and, for the best part, manage its external structure it is highly questionable whether Firm C operates as a knowledge organisation as defined in this study.



## **5.4 Knowledge Strategy**

All three law firms appreciated that knowledge had strategic value. Likewise all firms appreciated that the creation of specialised areas of legal knowledge gave firms a competitive advantage using knowledge. While the three firms all recognised the strategic nature of knowledge, not one of the firms had a formalised knowledge strategy in place. Instead all were operating using some informal underlying knowledge strategy.

Firm A's knowledge strategy was to operate a general practice that provided non-specialist legal knowledge to a broad range of clients. Firm B had a clear knowledge strategy that involved practising in a number of specialist legal practices (for example maritime and workers compensation), complemented with a more general practice (commercial). Firm C's knowledge strategy involved a general practice of law, from which developed a number of specialist practices.

### **5.4.1 General Practices**

General practices use knowledge as a product that can be mass-produced. The knowledge is not always creative and it may be that knowledge is reused many times. An example of this was at Firm A, where the Senior Partner paraded a bookcase full of possible clauses to be placed in contracts. Decades of legal knowledge was explicitly recorded and placed in great folders so that lawyers could reuse this codified knowledge and prevent the costly burden of needing to draft original clauses for contracts.

When the focus of the knowledge strategy is on selling large volumes of the same knowledge at economic prices, a codification strategy is best suited. This strategy relies on explicit knowledge and will benefit from a Knowledge Management Systems (KMS). All three firms could utilise a codification strategy in their general practices. Firm A and Firm B demonstrated evidence of a codification strategy by the use of document retrieval systems, E-mail and Firm B's effort at creating an Intranet. The codification strategy is currently the dominant strategy in American and European law firms.

### **5.4.2 Specialist Practices**

A specialist practice adopts a personalisation strategy. This strategy places a high value on creative tacit knowledge and focuses on selling small volumes of original knowledge at high profit. A personalisation strategy has a high degree of customisation and is therefore far more appreciated by clients. All interviewees recognised that a knowledge strategy that involved specialist practices was far superior to a strategy based solely on general practices. This supports the literature, which suggests that the personalisation strategy is superior to the codification strategy. The Senior Partner at Firm B, which uses an unstated personalisation strategy in its specialist practice, identified that such a strategy was nearly impenetrable by other firms because the firm has:

1. Long standing connections with the clients
2. Well maintained legal knowledge

What the Senior Partner is identifying is the truly strategic nature of a personalisation strategy. The Senior Partner at Firm A noted that to run a successful specialist practice you have to build a level of specialist legal knowledge that attracts a particular sort of client, but to build that level of specialist legal knowledge you have to have that those clients who you wish to later attract. Before getting completely confused he stated 'it becomes a bit circular'. What the Senior Partner was trying to express was how deeply rooted the client is in a specialist practice. Specialist legal knowledge cannot be formed without the clients and as such the client is an important intangible asset. Since a client is not forced to use a firm, a client might leave a firm at anytime, however with specialist practices the client is coupled so tightly to the knowledge strategy it is difficult for them to leave. Moving to another firm will only mean revisiting knowledge that they have already converted with the earlier firm. Further, the specialist knowledge that the client requires may not exist nearby (this is particularly relevant to Tasmania). The Senior Partner at Firm B noted that clients will only leave a specialist practice if you don't service them properly and then he added, with a smile, 'or we overcharge!'.

The Senior Partner at Firm B did suggest that specialist practices are vulnerable to changes in the law, however he also noted that specialist practices are in the best

position to react to such changes. A topical example would be a specialist practice in taxation law. With the introduction of the GST large amounts of the taxation law will be changed. As a consequence large amounts of specialist knowledge on taxation law are no longer applicable. However, because of the specialist practice's position with clients and the fact that no one else would have greater knowledge, the specialist practice is in the best placed to learn the new taxation law. Since specialist legal knowledge is deeply tacit, it is flexible and adaptive to change, which is a good thing considering the law is constantly changing due to social and political pressures. This flexibility is one of the greatest advantages of a personalisation strategy over a codification strategy. A codification strategy relies on explicit knowledge, which is largely static and thus can not adapt to change like tacit knowledge.

**5.4.3 Summary of Knowledge Strategy**

Table 5-5 shows that Firm A had a clear knowledge strategy to operate a general practice, but operated no specialist practices. A codification strategy is best suited to their purposes, however in practice it would appear that a dominant personalisation strategy is being used, supported by a codification strategy. They appreciated the strategic value of knowledge and could see that specialist practices offered strategic advantage, but felt that they did not have the right type of clients at this time to operate such a practice presently. Firm A had a sound strategy, but if it is ever to truly benefit from the strategic nature of knowledge, it should remain open to the possibility of creating a specialist practice.

**Table 5-5 Informal knowledge strategy employed at law firms**

	General Practice (Codification)	Specialist Practice (Personalisation)
Firm A	✓	✗
Firm B	✓	✓
Firm C	✓	✓

Firm B had a well understood knowledge strategy to operate a general practice with a number of specialist practices (Table 5-5). The firm understood the important role of the client in the specialist practices and thus the specialist practices were successful. Firm B clearly used a personalisation strategy and should look at formalising it so that all staff can gain a deeper understanding of the strategic use of knowledge.

Firm C's knowledge strategy is a product of organisational evolution. Previously a general practice, the firm had developed a number of specialist practices, which they now were beginning to nurture (Table 5-5). None of the interviewees deeply understood the relationship between the specialist practices and the clients, which further illustrates that Firm C may not understand the importance of the external structure to the knowledge organisation. This firm needs to first look at what it means to be a knowledge organisation before it should begin to formalise its knowledge strategy.

## CHAPTER SIX – FINDINGS AND FUTURE RESEARCH

### 6.1 Introduction

Chapter Six commences by outlining the findings from Chapter Five in relation to the research objectives. This framework is used to discuss selection of knowledge strategies and answer the research question. After this the achievements of the research are articulated and possibilities for future research suggested.

### 6.2 Findings

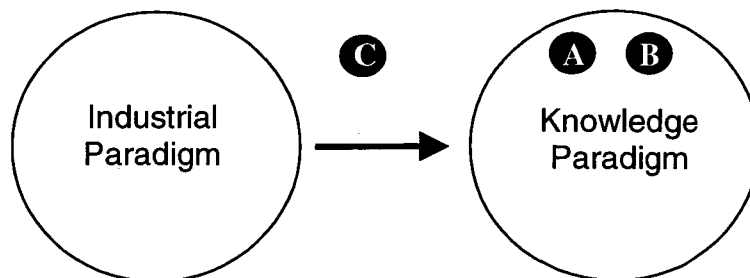
#### 6.2.1 *Knowledge Conversion*

To meet the first research objective, that is to examine how legal professionals exchange knowledge, existing forms of knowledge conversion within law firms were explored. It was discovered that socialisation was the dominant form of knowledge conversion. Socialisation existed in many forms, such as the master apprentice relationship, cooperative intra-firm work, cooperative inter-firm work, internal seminars, external seminar, socialising and gossip. Internalisation was employed mildly by all three law firms and combination was used by both Firm A and Firm B, who both used low level Knowledge Managements Systems (KMS). Extremely poor recognition of externalisation indicated that law firms perceive externalisation as neither a valid, nor dominant form of knowledge conversion. The dominant use of socialisation and the mild use of internalisation are indicative of an organisational preference, across all three firms, towards a personalisation strategy. The minimal use of combination by Firm A and Firm B suggests the existence of a codification strategy, however this does not conflict with the preference towards a personalisation strategy. Both strategies can be employed by a knowledge organisation, what is important is that one strategy has a greater emphasis (Hansen, Nohria & Tierney, 1999). In the case of all three large Tasmanian law firms it is clear that legal knowledge is converted in a way that places greater emphasis on a personalisation strategy.

### 6.2.2 Knowledge Organisation

The second research objective was to find out if Tasmanian law firms understand themselves as knowledge organisations. This was achieved by discovering whether the three law firms perceived themselves as knowledge organisations. To be a knowledge organisation the right organisational culture must exist, furthermore the organisation must recognise, measure and manage their three intangible assets: knowledge workers, external structure and internal structure. It is important for an organisation to understand itself as a knowledge organisation, as otherwise it cannot benefit from a knowledge strategy.

All three firms had an organisational culture capable of supporting a knowledge strategy. Two small barriers for a knowledge sharing culture existed; individualism and technology, but with the correct counter measures both of these barriers could be removed. While all three law firms had the right organisational culture, not all the firms recognised, measured and managed their intangible assets. Firm C failed to recognise or measure their external structure and needed prompting to be able to suggest how the external structure could be managed. By not placing appropriate importance on the external structure Firm C is not yet operating as a knowledge organisation. Figure 6-1 shows how Firm C is paradigmatic, displaced between the industrial paradigm and the knowledge paradigm. However, Firm A and Firm B have made the transition from the industrial paradigm to the knowledge paradigm and can be classed as knowledge organisations (See Figure 6-1).



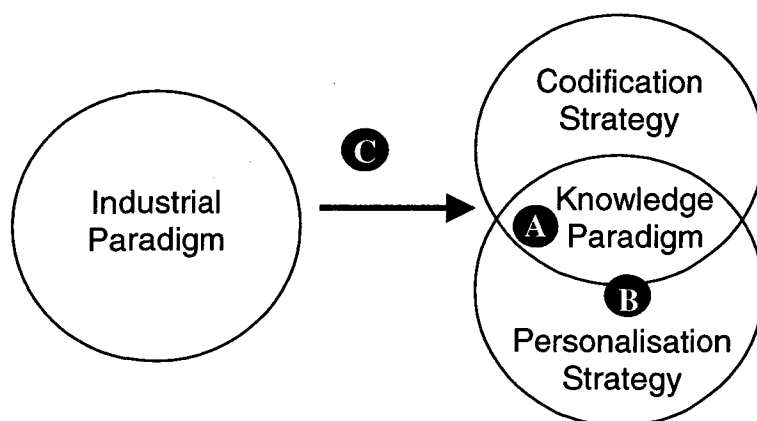
**Figure 6-1 Industrial Paradigm and Knowledge Paradigm**

### 6.2.3 Knowledge Strategies

The third and final research objective was to discover whether the three Tasmanian law firms demonstrated evidence of using a knowledge strategy. While none of the

firms had a formal knowledge strategy in place, all firms recognised the strategic nature of knowledge and had created informal knowledge strategies. Firm A's informal knowledge strategy was that of a general practice, where the focus was on selling large volumes of similar codified knowledge at an economic price. Both Firm B and Firm C adopted a mixed general practice and specialist practice approach. Firm B and Firm C operated general practices, but were aware that their specialist practices held the real strategic advantage when it came to knowledge. The specialist practices enabled Firm B and Firm C to sell small volumes of original analytical knowledge at high profit. What was found was that a general practice approach would best use a codification strategy, while specialist practice approach used a personalisation strategy.

Figure 6-2 presents the paradigmatic and strategic placement of the three law firms. Firm A is placed in the knowledge paradigm, but then suffers displacement when selecting a knowledge strategy. While Firm A converts knowledge in a way that indicates a personalisation strategy, its use of a general practice suggests a codification strategy is appropriate, and thus presents a confused strategic placement. Firm B clearly understands its paradigmatic and strategic placement. Firm B is clearly within the knowledge paradigm and uses principally a personalisation strategy, supported by a codification strategy. Firm C, as explained earlier, has not made the full transition from the industrial paradigm to the knowledge paradigm. As such it is not appropriate to suggest its strategic placement.



**Figure 6-2 Paradigmatic and Strategic Placement**

### **6.2.4 Selection of Knowledge Strategies**

By achieving each of the three research objectives, the following answer can be given to the research question:

*Large Tasmanian law firms are best suited to selecting a personalisation strategy.*

#### **6.2.4.1 Dominant Personalisation Strategy**

While each of the three large Tasmanian law firms provided varying responses, a number of consistent trends emerged. Firstly all law firms converted knowledge in a way that indicated an organisational preference towards selecting the personalisation strategy. Secondly each saw as strategically advantageous the use of a personalisation strategy over the codification strategy, when they adopted an informal knowledge strategy.

Using the framework provided by Sveiby (1997) forms of knowledge conversion in the three firms were explored. The dominant use of socialisation and internalisation over externalisation and combination clearly demonstrated an organisational preference, across all three firms, towards selecting a personalisation strategy. It should be noted that the mild use of combination by Firm A and Firm B suggests some use of a codification strategy, however this does not conflict with the greater organisational preference towards a personalisation strategy.

Since large Tasmanian law firms did not use formal knowledge strategies, informal knowledge strategies were explored. Two prominent informal knowledge strategies were identified: specialist practices and general practices. Firm A operated a general practice, while Firm B and Firm C operated a general practice accompanied by a number of specialist practices. The senior partners at all firms could identify how specialist legal knowledge was linked to the relationship with the client. The Senior Partner at Firm B had a good understanding of how the specialist practices gave his firm strategic advantage. He noted it was nearly impossible for another law firm to break into another firm's existing specialist practice as the required clients were so entwined with the other firm's knowledge strategy. It was clearly identified that a specialist practice relies on a personalisation strategy, hence suggesting some use of a personalisation strategy by Firm B and C. Since all senior partners saw specialist



practices as more advantageous, it suggests that all firms had some preference, even if it was not actualised (Firm A), to use a personalisation strategy.

#### 6.2.4.2 Freedom to Select any Knowledge Strategy

The present research reveals that large Tasmanian law firms use a dominant personalisation strategy, however avoids suggesting that this one strategy should be uniformly selected in Tasmania. The preferential use of the personalisation strategy by large Tasmanian law firms is inconsistent with the existing literature. Literature from America (Mitchell, 2000; Platt, 1998) and Europe (Gottschalk, 2000a) presently suggests law firms are best suited to a codification strategy. Only Firm A and Firm B used the codification strategy and it was only to a limited extent with the real emphasis on the personalisation strategy (Hansen, Nohria & Tierney, 1999). This disparity with the literature is highly significant and shows support for writers who suggest that organisations can select either of the strategies freely. Hansen, Nohria and Tierney (1999) found that consultants do not uniformly select one knowledge strategy. Likewise this research suggests that lawyers do not uniformly select one knowledge strategy. While the Tasmanian law firms investigated preferred the personalisation strategy, the possibility remains that some Tasmanian firms may be better suited to the codification strategy. Large interstate law firm Phillips Fox has recently received international recognition for their legal knowledge portal 'FoxTrek' (Sbarcea & Dennis, 1999), which clearly hinged on an underlying codification strategy. The success of a large Australian law firm using a codification strategy provides some evidence, contrary to this research, that large Tasmanian law firms may benefit from a codification strategy. In relation to the current research, Firm A operated a general practice, which is suited to the use of a codification strategy. The firms reliance on explicit knowledge in the creation of will, leases and contracts and the firms adoption of a Document Retrieval System (DRS) both provide evidence of the suitability of a codification strategy. Firm A, while it presently converts legal knowledge in a manner consistent with a personalisation strategy, is also highly suited to a codification strategy and should have the freedom to select either of the strategies. This research therefore urges lawyers to carefully select between available knowledge strategies and to select the most appropriate strategy, not just to select the dominant strategy presented in US and European literature.

#### 6.2.4.3 Reasoned Selection

While this research moves away from previous literature and promotes the freedom to select any knowledge strategy, it does not promote a thoughtless selection. Reason must be given for selection of a knowledge strategy, with particular attention to the personalisation strategy. Firm A exemplifies this finding, in that while they have made the paradigmatic transition from the industrial paradigm to the knowledge paradigm, they have not selected either of the two available knowledge strategies (personalisation and codification) and are presently strategically displaced.

#### 6.2.4.4 Information Technology and Knowledge Strategy

The development at Firm B of a low level Knowledge Management System (an Intranet) highlights how the level of Information Technology (IT) infrastructure and IT investment is dependant on the selected knowledge strategy. The codification strategy is heavily dependant on an IT infrastructure, while the personalisation strategy can operate in a limited or non-existent IT infrastructure. The codification strategy requires a system that holds depositories of codified knowledge, while the personalisation strategy seeks a system that will allow knowledge workers to find each other. Investment above or below what is required by the selected strategy is largely wasted (Hansen, Nohria & Tierney, 1999). For Tasmanian law firms, who appear to prefer a personalisation strategy, this is very important. Humans, not computers, take the central role in the personalisation strategy (Malhotra, 1998b) and an organisation using personalisation strategy that invests heavily in computers will only end up sinking capital into technology that will only yield marginal results (Sveiby, 1997). Firm B must remember that the Intranet will be useful to support their personalisation strategy, but should be never replace other forms of knowledge conversion that the personalisation strategy relies upon, like socialisation and internalisation. Firm B must examine how investment in IT, like the Intranet, can compliment its personalisation strategy. Given the right emphasis (a network to exchange original tacit knowledge and help make contact with other lawyers) the Intranet is an IT investment that can be used appropriately in a personalisation strategy. However given an inappropriate emphasis (a network to exchange and store large depositories of codified explicit knowledge) the Intranet will work against the personalisation strategy and destroy Firm B's strategic advantage. Firm B's decision

to construct an Intranet demonstrates how knowledge strategy can be used to guide investment in IT infrastructure.

#### 6.2.4.5 Promotion of Knowledge Strategies

The ability for knowledge strategy to guide IT investment must be promoted to lawyers so that they can understand the value of knowledge strategies. Firm C, which like Firm B operated a general practice and a number of specialist practices, could derive a lot of benefit from the personalisation strategy, but failed to appreciate what a knowledge strategy can provide them. The strong internal focus demonstrated by all interviewees, suggested that the firm did not understand itself as a knowledge organisation and was having difficulty transferring from the industrial paradigm to the knowledge paradigm. Firm C would strongly benefit from having the benefits of knowledge strategies promoted to them.

Knowledge strategies deserve executive attention and should not be isolated, but joined with coordinated efforts. If knowledge management is to develop fully rather than become merely a passing fad, lawyers need to articulate the relationship between their firm's competitive strategy and knowledge strategy and this can only be accomplished by aligning knowledge strategy with business strategy (Zack, 1999a). Lawyers have struggled to see the value of knowledge management. What they have been missing is that knowledge strategy not knowledge management holds the real value for their firms. Knowledge strategies not only show firms how to strategically use knowledge, but they can complement a firm's competitive strategy and guide investment in IT infrastructure. Large Tasmanian law firms have much to gain from reasoned selection of knowledge strategies.

#### 6.2.4.6 Warning

Firms should be careful not to select the incorrect strategy or be tempted to 'saddle' both strategies (Hansen, Nohria & Tierney, 1999). Hansen, Nohria and Tierney (1999) allowed the use of one strategy to support the other in a 80-20 split, but they warned that executives who try to excel at both strategies, risk failing at both. This presents a timely warning for Firm B who are about to construct an Intranet. Firm B operates both a general practice and a specialist practice with a dominant

personalisation strategy. This strategy was well understood by all interviewees at Firm B, all of whom could identify and explain the relationship between organisational knowledge and the client. While Firm B operates with a dominant personalisation strategy, the Intranet, which will include large knowledge depositaries, relies on a codification strategy (Lamb, 1999). Firm B must be cautious not to place too much emphasis on the Intranet or they risk undermining their strong personalisation strategy. Statements by all interviewees at Firm B that the Intranet would solve problems of communication suggest that the firm may be already placing too much emphasis on the Intranet if they are expecting to cure existing cultural problems.

### **6.2.5 Recommendations**

Three recommendations emerge as a consequence of the research reported in this thesis:

Large Tasmanian law firms should not feel constrained by the current body of knowledge suggesting law firms are best suited to a codification strategy. Instead they should carefully select the most appropriate strategy for their organisational requirements. For large Tasmanian law firms the personalisation strategy holds many strategic benefits and should be investigated carefully by any law firm looking to select a knowledge strategy.

Large Tasmanian law firms should formalise their selected knowledge strategy. This is not an easy process, as the chosen knowledge strategy should be aligned with the business strategy of the law firm. The knowledge strategy can either exist as a separate document to the business strategy or be integrated with the business strategy. When formalising a knowledge strategy it is important to gain organisational ownership of the strategy and for this reason it is suggested that the process used to formalise the strategy involves all employees of the organisation.

Once a formalised organisational knowledge strategy exists, law firms should examine how to most appropriately invest in knowledge management. Investment must be made with regard to the chosen strategy, or the organisation may be wasting its time and resources. The implementation of a high level Knowledge Management System (KMS) would be inappropriate for a firm relying on a personalisation strategy.

Likewise, the implementation of internal seminars may be a complete waste of time for an organisation dependant on a codification strategy. Law firms need to understand their knowledge strategy not only to gain insight into future directions, but to allow them to appropriately invest in knowledge management.

### **6.3 Achievements of this Study**

This study achieved all the outlined objectives and answered the research question. The research adds to the small amount of existing literature on knowledge management within the legal fraternity and the even smaller amount of literature concerning knowledge strategies. It validates earlier work by Sveiby (1997) concerning knowledge conversion and enhances it by providing a framework of relevance to the available knowledge strategies. The research also strongly supports the work of Zack (1999a), Hansen, Nohria and Tierney (1999) on knowledge strategies. The research does reject research from America (Mitchell, 2000; Platt, 1998) and Europe (Gottschalk, 2000a) suggesting law firms are best suited to a codification strategy. The present research has served to show large Tasmanian law firms are better suited to the personalisation strategy. This leads to the view that firms should make an educated selection concerning knowledge strategy, rather than selecting the dominant strategy presented in American and European literature.

### **6.4 Future Research**

This research has provided a basis for future research in a number of areas. Firstly, there is still a great need for an understanding of what is meant by legal knowledge. The present research reveals that a better understanding of the characteristics of legal knowledge is required.

Secondly, concerning the finding that large Tasmanian law firms are better suited to a personalisation strategy, than their American and European counterparts, more research could be conducted regarding this apparent difference. A number of factors including culture, legal system and exposure to IT can all be proposed as reasons for the apparent difference, but none were examined in the present research as it was outside the original scope. An investigation into this apparent difference would make a worthwhile cross-cultural research project.

Thirdly, further research could be conducted into the relationship of Information Technologies (IT) and knowledge strategies within the legal profession. Gottschalk (2000a) has just released research on the relation between IT and knowledge management within the Norwegian legal fraternity. A comparative study conducted in Australia would provide a very different perspective to this research. It is interesting to note that Gottschalk (2000a) began with a small set of qualitative interviews, very similar to the present research, which were then used to produce a quantitative survey of Norwegian law firms. The present research is therefore an ideal basis for anyone wishing to commence a cross-cultural comparative study.

## BIBLIOGRAPHY

- Allaire, P.A. (1997) *Managing For Knowledge - The Business Imperative of the 21<sup>st</sup> Century*. URL: <http://www.xerox.com/> Accessed on 23/4/00.
- Allee, V. (1997) *The Knowledge Evolution: Expanding Organizational Intelligence*, Butterworth-Heinemann: USA.
- American Productivity and Quality Center (1996) *Knowledge Management*, URL: <http://www.apqc.org/> Accessed on 23/4/00.
- American Productivity and Quality Center (1996) *Knowledge Management Consortium Benchmarking Study*, URL: <http://www.apqc.org/> Accessed on 23/4/00.
- American Productivity and Quality Center (1998a) *Knowledge Management and the Learning Organisation: A European Perspective*, URL: <http://www.apqc.org/> Accessed on 23/4/00.
- American Productivity and Quality Center (1998b) *Expanding Knowledge Management Externally*, URL: <http://www.apqc.org/> Accessed on 23/4/00.
- American Productivity and Quality Center (1999) *Creating a Knowledge-Sharing Culture*, URL: <http://www.apqc.org/> Accessed on 23/4/00.
- American Productivity and Quality Center (2000) *Successfully Implementing Knowledge Management*, URL: <http://www.apqc.org/> Accessed on 23/4/00.
- Baumgartner v Baumgartner* (1987) 164 CLR 137.
- Belanger, F. (1999) *Summary: Advice on Taping research*, URL: <http://www.auckland.ac.nz/msis/isworld/Summary%20Advice%20on%20Taping%20research%20Interviews.txt> Accessed on 23/4/00.
- Bellinger, G. (2000a) *Knowledge Management – Emerging Perspectives*, URL: <http://www.outsights.com/systems/kmgmt/kmgmt.htm> Accessed on 26/5/00.

- Bellinger, G. (2000b) *The Knowledge Centered Organisation – A Dream Quest*,  
URL: <http://www.outsights.com/systems/tkco.tkco.html> Accessed on 26/5/2000.
- Boisot, M. and Griffiths, D. (1999) Possession is nine tenths of the law: managing a firms knowledge base in a regime of weak appropriability, *International Journal of Technology Management*, June, 17, 6, p662.
- Brienza, J. (1999) 'Web-footed' lawyers dip, not plunge, into the Internet, *Trial*, Dec, 35, 13, pp12-16.
- Burrell, G. and Morgan, G. (1977) *Sociological Paradigms and Organisational Analysis*, Heinemann: London.
- Carayannis, E. and Alexander, J. (1999) The wealth of knowledge: converting intellectual property to intellectual capital in co-operative research and technology management settings, *International Journal of Technology Management*, Nov- Dec, 18, 3-4, pp326-7.
- Cossar, L. (1999) Warm and fuzzy companies lure their own staff, *Business Review Weekly*, Oct 1, pp72-73.
- Dal Pont, G.E. and Chalmers, D.R.C. (2000) *Equity and Trusts in Australia and New Zealand*, 2<sup>nd</sup> Ed, LBC Information Services: NSW.
- Davenport, T. H. (1996) Knowledge Roles: The CKO and Beyond, *CIO magazine*, April 1, URL: [http://www.cio.com/archive/040196\\_davenport\\_content.htm](http://www.cio.com/archive/040196_davenport_content.htm)  
Accessed on 13/5/00.
- Davenport, T. H. (1998) *Some principles of Knowledge Management*, URL:  
<http://www.bus.utexas.edu/kman/kmprin.html> Accessed on 26/5/00.
- Davenport, T.H. and Prusak, L. (1997) *Information Ecology: Mastering the Information and Knowledge Environment*, Oxford University Press: New York.
- Davenport, T. H. and Prusak, L. (1998a) *Working Knowledge: How Organizations Manage what they Know*, Harvard Business School Press: Massachusetts.



- Davenport, T.H. and Prusak, L. (1998b) *Know what you Know*. URL:  
<http://www.brint.com/km/davenport/cio/know.html> Accessed on 26/5/2000.
- DeAngelis, R. (1998) OK, don't be a tech-head, but do know the basics; it is hard to lead your staff in the right direction if you are utterly clueless, *The National Law Journal*, Aug 24, 20, 52, pC5.
- Denzin, N. K. and Lincoln, Y. S. (1994) Introduction: Entering the Field of Qualitative Research, in Denzin N. K. and Lincoln Y. S. (Eds), *Handbook of Qualitative Research*, Sage Publications: USA.
- Dey, I. (1993) *Qualitative Data Analysis*. Routledge: London.
- Dooley, D. (1990) *Social Research Methods*, Prentice-Hall: New Jersey.
- Drucker, P.F. (1990) *The New Realities: In Government and Politics – in Economy and Business- in Society- and in World View*, Mandarin Paperbacks: London.
- Drucker, P.F. (1999) *Beyond the Information Revolution*, URL:  
<http://www.theatlantic.com/issues99oct/9910drucker.htm> Accessed on 3/5/00.
- Duffy, J. (2000) *Managing Customer Knowledge: New Demands Need New Approaches*, 4<sup>th</sup> APQC Knowledge Management Conference, May, URL:  
<http://www.apqc.org/free/presentations/spring00.htm> Accessed on 4/6/00.
- Dwyer, J. (1993) *The Business Communication Handbook*, 3<sup>rd</sup> Ed., Star Printery: NSW.
- Earl, M. and Scott, I. (1999) What is a Chief Knowledge Officer, *Sloan Management Review*, Winter, pp29–38.
- Fahey, L. and Prusak, L. (1998) The Eleven Deadliest Sins of Knowledge Management, *California Management Review*, 40 , Spring 3, pp265–276.
- Fitzgerald, B. and Howcroft, D. (1998) Competing Dichotomies in IS Research and Possible Strategies for Resolution, *Proceedings of the 19<sup>th</sup> International Conference on Information Systems*, Eds Hirschheim, R., Newman, M. and DeGross, J.

- Glaser, B.G. and Strauss, A. (1967) *The Discovery of Grounded Theory: Strategies for Qualitative Research*, Aldine Publishing Co: USA.
- Glazier, J.D. and Powell, P.R. (1992) *Qualitative Research in Information Management*, Libraries Unlimited: USA.
- Gome, A. (1999) Web Feat for Legal Eagle. *Business Review Weekly*. November 19, p118.
- Gottschalk, P. (1999) Use of IT for Knowledge Management in Law Firms, *Journal of Information Law and Technology*, 3, URL: <http://www.law.warwick.ac.uk/jilt/99-3/gottschalk.html> Accessed on 22/6/00.
- Gottschalk, P. (2000a) Predictors of IT Support for Knowledge Management in the Professions: An empirical study of law Firms in Norway, *Journal of Information Technology*, 15, pp69-78.
- Gottschalk, P. (2000b) Strategic Knowledge Networks: The Case of IT Support for Eurojuris Law Firms in Norway, *International Review of Law Computers and Technology*, , Volume 14, no 1, pp115-129
- Gottschalk, P. (2000c) Use of IT in Law Firms as Enabler of Inter-Organisational Knowledge Networks. *Journal of Information, Law and Technology*, 1, URL: <http://www.law.warwick.ac.uk/jilt/00-1/gottschalk.html> Accessed on 22/6/00.
- Guba, E. G. (1990). The Alternative Paradigm Dialog. In E. G. Guba (Ed.), *The Paradigm Dialog*, Sage: California.
- Hanley, S. (2000) Communities of Practice: A Framework for Delivering Value with Knowledge Management, 4<sup>th</sup> *APQC Knowledge Management Conference*, May 26, URL: <http://www.apqc.org/free/presentations/spring00.htm> Accessed 4/6/00.
- Hansen, T., Nohria, N. and Tierney, T. (1999) What's your strategy for managing knowledge? *Harvard Business Review*, March – April, pp106–116.
- Head, B. (1999) After the telecommute, it's telework time, *Business Review Weekly*, Oct 8, p66.

- Heinemann Australian Dictionary (1976) The Griffin Press: Australia,
- Hildebrand, C. (1999) Does KM = IT?, *CIO Enterprise Magazine*, Sept 15, URL: [www.cio.com/forums/knowledge/](http://www.cio.com/forums/knowledge/) Accessed on 19/4/00.
- Hirschheim, R.A. (1992) Information Systems Epistemology: An Historical Perspective, in Galliers, R. *Information Systems Research*, Blackwell Scientific Publications: Australia.
- Hirschheim, R. and Klein, H. K. (1989) Four Paradigms of Information Systems Development, *Communications of the ACM*, 32, 10, pp1199-1216.
- Howarth, B. (2000) Unlocking the intellectual capital, *Business Review Weekly*, Apr 20, p36.
- Huberman, A.M. and Miles, M.B. (1994) Data Management and Analysis Methods, in Denzin, N.K. and Lincoln, Y.S. (Eds) *Handbook of Qualitative Research*, Sage: California.
- James, D. (1999a) Lawyers Learn to Afford Managers a Little Professional Respect, *Business Review Weekly*, Apr 1, pp65-67.
- James, D. (1999b) So how do we take the pulse now? *Business Review Weekly*, May 7, pp59-75.
- James, D. (1999c) In touch at the top, *Business Review Weekly*, Jun 11, pp104-107.
- James, D. (1999d) Knowledge management. Huh?, *Business Review Weekly*, Nov 12, pp180-185.
- Keen, P.W. (1991) Relevance and Rigour in Information Systems Research: Improving Quality, Confidence, Cohesion and Impact, in Nissen, H.E., Klein, H.K. and Hirschheim, R. (Eds) *Information Systems Research Contemporary Approaches and Emergent Traditions*, Elsevier: North Holland.
- Kim, C. and Mauborgne, R. (1997) Fair Process: Managing in the Knowledge Economy, *Harvard Business Review*, July-August, pp65-78.

- Kim, C. and Mauborgne, R. (1999) Strategy, Value Innovation and the Knowledge Economy, *Sloan Management Review*, Spring, pp41-53.
- Klein, H.K. and Myers, M.D. (1999) A set of principles for conducting and Evaluating Interpretive Field Studies in Information Systems, *MIS Quarterly*, March.
- Knowledge Management Forum (1996) *Knowledge vs Information – A Knowledge Management Forum Discussion*, URL: <http://www.revolution.3-cities.com/bonewman/t000008.html> Accessed on 3/4/00.
- Lamb, R. (1999) Using Intranets: Preliminary Results from a Socio-Technical Field Study, in *Proceedings of the 32<sup>nd</sup> Hawaii International Conference on Systems Sciences*, 5-8 January, pp1-10.
- Laurence, M., (2000) Busy Accountants Discard their Difficult Clients, *Business Review Weekly*, Mar 24, p43.
- Lloyd, S., (2000) The Culling Game, *Business Review Weekly*, Apr 7, pp96-104.
- Lucieur, C. and Torsilieri, J. (1999) Too Many Experts, Too Little Profit, *Business Review Weekly*, Aug 27, pp78-81.
- Malhotra, Y. (1998a) *Knowledge Management, Knowledge Organisations and Knowledge Workers: A View from the Front Lines*, URL: <http://www.brint.com/interview/maeil.htm> Accessed 26/5/00.
- Malhotra, Y. (1998b) *Toward a Knowledge Ecology for Organizational White-Waters*. URL: <http://www.brint.com/papers/ecology.html> Accessed on 26/5/2000.
- Marchant, G. and Robinson, J. (1999) Is knowing the Tax Code all it takes to be a Tax Expert? On the Development of Legal Expertise, in Sternberg, R.J. and Horvarth, J.A. (Eds.) *Tacit Knowledge in Professional Practice*, Lawrence Erlbaum Associates: New Jersey.
- Marquardt, M.J. (1996) *Building the Learning Organisation: A systems Approach to Quantum Improvement and Global Success*, McGraw-Hill: New York.

- McDermott and O'Dell, C.A. (2000) *Overcoming the 'Cultural Barriers' to Sharing Knowledge*, URL: <http://www.apqc.org/free/articles/km0200> Accessed 26/5/00.
- Miles, M. and Huberman, M. (1994) *Qualitative Data Analysis: An Expanded Source Book*, Beverley Hills, Sage: USA.
- Minichiello, V. et al (1995) *In-depth Interviewing: Principles, Techniques and Analysis*. 2<sup>nd</sup> Ed, Longman: Melbourne.
- Mitchel, M. (2000) Law in Order, *CIO Magazine*, Apr 1, URL: [http://www.cio.com/archieve/040100\\_law\\_content.html](http://www.cio.com/archieve/040100_law_content.html) Accessed on 19/4/00.
- Myers, M. D. (1997) Qualitative Research in Information Systems, *MIS Quarterly*, June, 21, 2, pp241-242.
- Nandhakumar, J. and Jones, M. (1997) Too close for comfort? Distance and Engagement in Interpretive Information System Research. *Info Systems Journal*, 7, pp109-131.
- Neuman, W. L. (1997) *Social Research Methods*, 3<sup>rd</sup> Ed, Allyn & Bacon: USA.
- O'Connor, K. (2000) How to Overcome the Cultural Barriers that can Blockade Knowledge Management, *Law Technology News*, May, URL: [http://www.lawtechnews.com/may00/knowledge\\_management\\_p20.html](http://www.lawtechnews.com/may00/knowledge_management_p20.html) Accessed 26/5/00.
- O'Dell, C. (2000) APQC's Road Map to Knowledge Management Results: Stages of Implementation, 4<sup>th</sup> *APQC Knowledge Management Conference*, May 25, URL: <http://www.apqc.org/free/presentations/spring00.htm> Accessed 4/6/00.
- O'Dell, C. and Grayson, C.J. (1998) *If Only we Knew What we Know – The Transfer of Internal Knowledge and Best Practice*, The Free Press: New York.
- Onsman, H (1999) The search of a happy office, *Business Review Weekly*, June 11, p46-47.

- Orlikowski, W.J. and Baroudi, J.J. (1991) Studying Information Technology in Organizations: Research Approaches and Assumptions, *Information Systems Research*, 2, pp1-28.
- Pacifici, S. and Skalbeck, R. (1999) *Intranets and Knowledge mManagement Solutions: Law Librarians Lead the Way*, URL:  
<http://www.llrx.com/features/lead.htm> Accessed 26/ 05/00.
- Platt, N. (1997) *Knowledge Management: Can it Exist in a Law Office – Part I*, URL:  
<http://www.llrx.com/features/km.htm> Accessed 26/ 05/00.
- Platt, N. (1998) *Knowledge Management – Part II*, URL:  
<http://www.llrx.com/features/km.htm> Accessed 26/ 05/00.
- Polanyi, M. (1958) *Personal Knowledge: Towards a Post Critical Philosophy*, Routledge & Kegan Paul: London.
- Rogovsky, N. (1998) What type of Knowledge is needed in Foreign Branches: Staffing Practices in Large US Law Firms, *The International Journal of Human Resource Management*, 9, 2, April, pp296–308.
- Quinn, J. (1999) Strategic Outsourcing: Leveraging Knowledge Capabilities, *Sloan Management Review*, Summer, pp9–24.
- Ragin, C.C. (1987) *The Comparative Method: Moving Beyond Qualitative and Quantitative Strategies*, University of California Press: USA.
- Remenyi, D. and Williams, B. (1996) The Nature of Research: Qualitative or Quantitative, Narrative or Paradigmatic? *Information Systems Journal*, 6, pp131-146.
- Ridley, G. and Keen, C. (1998) Epistemologies for Information Systems Research: A Study of Change, in *Proceedings of Ninth Australian Conference on Information Systems*, The University of New South Wales, 29<sup>th</sup> September- 2<sup>nd</sup> October.
- Rowley (1999) What is Knowledge Management? *Library Management*, 20, 8, pp416-419.

- Ruthven, P. (1999) Knowledge is the 'Soft' Solution, *Business Review Weekly*, Dec 26, pp116-122.
- Sahlman, W. (1999) The New Economy is Stronger than you Think, *Harvard Business Review*, Nov – Dec, pp99–106.
- Sbarcea, K. and Dennis, M. (1999) *Law firm leads in Knowledge Management*, Oct 13, URL: <http://www.phillipsfox.com.au/general/111804602.htm> Accessed on 5/4/00.
- Shorter Oxford Dictionary (1944) 3<sup>rd</sup> Ed., Oxford University Press: New York.
- Silverman, D. (1998) Qualitative research: meanings or practices? *Information Systems Journal*, 8, pp3-20.
- Solomon, B. (1998) Centralizing Contacts Organizes Relationships; Law Departments, Firms that Rely on Long Term Relationships can Manage Contacts Better, *The National Law Journal*, August 17, 20, 51, ppB9.
- Spaeth, E.D. (1999) What a Lawyer needs to Learn, in Sternberg, R.J. and Horvarth, J.A. (Eds.) *Tacit Knowledge in Professional Practice*, Lawrence Erlbaum Associates: New Jersey.
- Stewart, T. (1997) *Intellectual Capital: The New Wealth of Organizations*, Doubleday/Currency: New York.
- Strauss A.L. (1987) *Qualitative Analysis for Social Scientists*, Cambridge University Press: New York.
- Sveiby, K. (1994) *The "Discovery" of the Knowledge Organization*. URL: [http://www.sveiby.com.au/The Discovery.html](http://www.sveiby.com.au/The%20Discovery.html) Accessed on 14/3/00.
- Sveiby, K. (1996) *What is Knowledge Management*, 1996, URL: <http://www.co-I-l.com/coil/knowledge-garden/kd/whatiskm.shtml> Accessed on 14/3/00.
- Sveiby, K. (1997) *The New Organizational Wealth: Managing and Measuring Knowledge-based Assets*, Berrett-Koehler Publishers Inc: San Francisco.

- Sveiby, K. (1999) *Welcome to the Knowledge Organisation*, URL:  
<http://www.sveiby.com.au/K-era.html> Accessed on 14/3/00.
- Tabakoff, N. (1999) The Return of the Princess Lawyer, *Business Review Weekly*,  
Jun 11, pp42-45.
- Tabakoff, N. (1999) Allens the Indestructible, *Business Review Weekly*, Oct 1, pp90-95.
- Tabakoff, N. (2000) Law firms tremble as big clients start 'panel beating', *Business Review Weekly*, Mar 10, pp51-2.
- Knowledge Management Forum (1996) *Knowledge vs Information – A Knowledge Management Forum Discussion*, URL: <http://www.revolution.3-cities.com/bonewman/t000008.html> Accessed on 26/5/2000.
- Treadgold, T. (2000) Organising GP's into Efficient Business Units, *Business Review Weekly*, March 24, p50.
- University of Southern California's Center for Organizational Effectiveness and Korn/Ferry International (2000) *Strategies for the Knowledge Economy; From Rhetoric to Reality*, introduced at the World Economic Forum, Switzerland, URL: [www.xerox.com/go/xrx/knowledgest/knowledge\\_section.jsp?id=2145](http://www.xerox.com/go/xrx/knowledgest/knowledge_section.jsp?id=2145) Accessed on 3/5/00.
- Urquhart, C. (1997) Exploring Analyst - Client Communications: Using Grounded Theory Techniques to Investigate Interaction in Informal Requirements Gathering, in Lee, A.S., Liebenau, J. and DeGross, J.I. (Eds) *Information Systems and Qualitative Research*. Chapman & Hall: London.
- Xerox (1998) *Ten Domains of Knowledge*, URL:  
[http://www.xerox.com/go/xrx/knowledgest/knowledge\\_section.jsp?id=1870](http://www.xerox.com/go/xrx/knowledgest/knowledge_section.jsp?id=1870)  
Accessed on 13/4/00.
- Xerox (2000a) *Study find knowledge is under-used in companies*, URL:  
[http://www.xerox.com/go/xrx/knowledge/knowledge\\_section.jsp?ids.2145](http://www.xerox.com/go/xrx/knowledge/knowledge_section.jsp?ids.2145).  
Accessed on 13/4/00.



Xerox (2000b) *A Primer on Knowledge in Business*, URL:

[http://xerox.com/go/xrx/knowledge/knowledge\\_section.jsp?id=1864](http://xerox.com/go/xrx/knowledge/knowledge_section.jsp?id=1864) Accessed on 13/4/00.

Walker, J. (1999) McKinsey breeds Web Wunderkinder, *Business Review Weekly*, Aug 20, pp64-69.

Wigg, K. (1996) in Knowledge Management Forum (1996) *Knowledge vs*

*Information – A Knowledge Management Forum Discussion*, URL:

<http://www.revolution.3-cities.com/bonewman/t0000008.html> Accessed on 3/4/00.

Woolcot, H. (1990) *Writing Up Qualitative Research*, Sage:USA.

Zack, M. (1999a) Developing a Knowledge Strategy, *California Management*

*Review*, 40, Spring 3, pp125 – 145.

Zack, M. (1999b) Managing Codified Knowledge, *Sloan Management Review*,

Summer, pp45-56.

---

## APPENDIX 1 – QUESTIONS

---

### Questions:

1. What do you believe your firm looks for when they take on new employees?
2. How are new professional recruits used by the firm?
3. In what ways do new recruits receive coaching?
4. In what ways do experienced lawyers receive training?
5. As part of my research I am trying to explore the relationship between the work carried out at a firm and the link to the client base. How do you see the link between your clients and the kind of work your firm conducts?
6. If a client was to come seeking advice in an area that your firm may be lacking in expertise, what would you do?
7. In what ways do you believe that knowledge is shared with in the firm?
8. Does your practice ever work jointly with other practices within Tasmania, interstate or internationally?
9. If so in what ways?
10. As a legal professional do you find yourself socialising with other legal professionals?
11. If so do you find the conversation often returns to matters of work?
12. What indicators would you use to evaluate a law firms performance?
13. In what ways do you think a law firm can evaluate its intangible assets?

## APPENDIX 2 – INTRODUCTORY PHONE SCRIPT

Hello, my name is Jonathan Campton, I am conducting research at the University of Tasmania for the School of Information Systems concerning information sharing in the legal profession. ANONYMOUS from LEGAL FIRM suggested that you might be able to help with my research.

- 20 minutes in length
- Tape interview on audio cassette
- Not interested in computers
- Not seeking sensitive personal information
- Not seeking sensitive company information
- Confidential
- Any questions?

## APPENDIX 3 – INTERVIEW TRANSCRIPT

Senior Partner B at Firm C

*L Would you like me to go through these questions and talk about them*

*J Yes that would be great*

*L So when we take on new employees what do they look for ?*

*J Sorry there has been a word drop what do the firm look for*

*L It is what we look for*

*J Yes*

*L Being professional or non professional. I suppose in terms of non professional staff we are looking for some one who has some direct expertise. We are dealing with secretaries and accountants and we want someone who has direct expertise, we also of course employee juniors with no expertise at all in any field like a junior office girl that we put in some general clerical role and trained for that role. There tends to be a strata of people here that comprises of 70% non professional staff and they are secretaries and we look to see if they can provide some expertise to a commercial partner or a litigious partner. In terms of professional staff there are two categories of those. The first category would be professional staff who already have some experience, so in other words we have a vacancy that arises or a vacancy that we create for a lawyer and I guess in that situation we are looking for someone say with experience in the workers compensation area and will tend to look for some one who has some skills in that area or if they don't have skills in that area they have a leaning towards that area, a leaning towards litigation as opposed to commercial and visa versa in commercial law we look for some one who has a leaning toward that or some expertise in that. In terms of law graduates we tend to look upon law graduates as primarily as people that we have an obligation to train and so we are looking for the best we can get because whilst we feel we have an obligation to train them we also would like to think we could retain them as well. Having trained we can retrain them. And so I guess we are looking for people who are looking for a medium point of view. Umm that's with respect to law graduates. So we will be interviewing law graduates in June and we will do some short listing and we will be really looking for people later. Sometimes with law graduates we will make a decision that we are going to have say we usually take three that we will*

*have two in litigation and two in commercial. We may even look to law graduates who have a lean one way, more so with commercial, if law graduates has a particular leaning towards commercial. I suppose with all of those people you need to have people who are going to assimilate with the firm but that tends to, people at that level tend to assimilate anywhere.*

*J Build up some social skills over the years*

*L Yeah, yeah, in what way do new recruits receive coaching or training? Stop me if you like?*

*J No, No*

*L In terms of non-professional staff, the ones we get are generally trained. The ones we bring up from a junior level and a number of our associate secretaries have come up from a junior level, we have trained them on the way. We have trained them in house, we also send them to any secretarial courses if they available and , if everyone comes to us with a proposal to do a course that will benefit what they are doing we are also very happy to agree to that and that happens from time to time. That might be for example the journal delivery girl wants to do a word processing course because that gives her a lead into word processing, we will encourage that, generally we will pay for it. Ok?*

*J Yes*

*L In terms of coaching of lawyers or graduate lawyers, Ahh all of the people who come to us, all of the lawyers who come to us are inevitably directly under the supervision and responsibility of a senior practitioner. In fact I think always under the guidance of a senior practitioner. When we are employing some one to fill a vacancy, this is with someone who already has experience we will generally go into an area and they will be under the tutorage of the partner in that area, So for example if it was workers compensation for example [takes a heated telephone call] Where was I at then? Oh talking about training people. What we do with law graduates for example and we are fairly structured about this, when law graduates come to us we still regard law graduates in a sense as 'apprentices' now, as you know the system changed, where by when they come to us they are already admitted to practice. What we do for law graduates is for a period of 12 months we put two partners in charge of them. We put a commercial partner in charge of them and a litigious partner in charge of them. It is the obligation of those partners that they receive adequate training in each of the areas. The commercial partner will make sure they do some commercial work and the litigious partner will ensure they do some litigious work. What tends to happen during that 12 months period is that*

*them gravitate towards one area or another or they will tend to be in a sense 'adopted' by an area or by a person who says 'gee I would like this person to work with me' and so they tend to gravitate towards that person. What we have inevitably found and I don't think it is relevant to your survey, what we have inevitably found is that if someone is not prepared to take them on it is a bit of an indication that they are not going to survive. Ok?*

*J Yes*

*L So if they can't stand alone they really in a sense I will use the word adopt, but that's the really the wrong word, if someone is not prepared to mentor them they are not going to survive and if someone is not prepared to mentor them it is probably because they are inadequate, in terms of being able to fit in with the practice. They might be able to fit in somewhere else, but in terms of being able to fit in with this practice its because they have turned out to be inadequate. I am not sure what stops them from being picked up but if someone will not pick up and it happens very rarely.*

*J What would happen say either side no adoption*

*L What we have... if we talk about the two categories once again, we are talking about law graduates for example really, in that context, we are talking about law graduates, we would say to them you know after sort of 8 to 9 months look we don't think you are going to fit in here, it is probably in your best interest to see what is available to you outside this firm. Ok? We have not tended to say to people at 12 months, 12 months is up and you are out, we try to do it as a very gradual process and if it is not working well try and work them through the process I suppose. But yeah, of you know I suppose the last 20 graduates we have had there has probably been, of the last twenty only one, may be 2 where we have suggested to them that they may be better opportunities else where, you know what I mean?*

*J Yeah absolutely, In the Literature we refer to this up and out and either they make it or they don't and there is no use holding on to them.*

*L Yeah, Yeah, that's right, we would say to them look ... I guess we would say this around 9 months and this seems a pretty short assessment time but in my experience this is about as long as you need. We are not looking at them, we are not looking at those people to preform to a financial criteria. We are not looking at them to fill out time sheets every day, or we are, but we are no looking at that as a criteria, we are just looking to see whether they are going to make it and whether they are going to fit in. If they don't fit either of those things, we may as well say well don't you look around, there are probably other things for you to do other than at FIRM B. Um in*

*terms of the experienced recruits, people who already have 2 to 3 years up, umm it rarely happens that you ask them to move on, it is more a case of trying to keep them, it is really more a case of try to keep them. You will get the odd one, you will get the odd one that you have to push and shove along but I cannot think of an example of where we have said to someone who has come to us with experience, 'look you better go somewhere else' it is really a case of trying to keep them as opposed to trying to push them out. In terms of, in terms of non-professional staff, umm, umm, I think once again it is pretty true to say it is a case of trying to keep them as apposed to anything else. There will certainly be occasions where a person doesn't fit in, for what ever reasons, but mainly the reason for that will be that they are not prepared to work as part of an overall team, to give you a silly little example secretary A and secretary B's phone is ringing and secretary B is not at her desk, we have a system where you can pick up anyone's phone form their own desk, you get the odd person who just wont do it or if they have got nothing to do they wont go look for something. We don't demand that but it grates on other staff if they have a great pile of work to do and someone is sitting there reading the paper. It is generally when people are not prepared to work as part of a team and that becomes a pretty self evidence thing in a very short period of time, because people will either do it or they wont. They are either of that elk or nature or they are not, so that is sort of non professional staff.*

*J Thank you*

*L In what ways do experience lawyers receive training? Well really under the tutorage of the people they work with. We encourage experienced lawyers and non experienced lawyers for that matter to participate in whatever to seminars they want to suggest to us, going to particular group section meetings umm and in general terms if a practitioner comes to us and says to us 'that there is something out there that I am interested in and want to go have a look at we will encourage that and we will pay for it and that it is not a great issue. There is now a, you may not be aware, there is now a mandatory legal continuing education program.*

*J I was not*

*L That has just started this year from January 1. It is very much in its embryonic stage. That will obligate all lawyers to receive some training and I think this year you have got to get up six points and its going to graduate up to 15 points. So six points isn't much, six hours and in terms that is something we have been doing for ages. I think it is something a lot of other professional have been doing for a long time.*

*J Doctors have been doing it for years*

---

*L Yeah, yeah, So that has now started. Um has that covered that?*

*J Yes absolutely*

*L Now with this next question ...*

*J Yes, yes, it has a lot of writing as it is a hard one. I am looking at the relationship between the kinds of clients you hold and the type of the work that you do. Before you outlined that you have two major areas the litigation and umm, sorry, the commercial work. Now I was interested, in the sort of chicken and egg argument, is it the that customer dictate the kind of work that you do or is it the work that dictates the kind of customers you keep.*

*L I think it is the work that you do, I can give you an example of that, we have a niche practise in maritime work, we do just about all the work in the state for the insurers, correspondence, that sort of thing, and we get all of that work because we have expertise in that practice and it is a niche sort of practice. The type of work is what they are sending us is maritime work so we are there all the time. I can probably give you a better example because that is a niche practice and it is something we have been doing for a long time and it would be very difficult for someone to break into that kind of work because of the long standing connection we have and I mean we have got to service it, it has got to be properly serviced, because if it is not, because the reason that clients leave you, we don't service them properly or we overcharge, but basically it is to do with service, with the quality of service. To give you another example it is with workers compensation, we have a very substantial workers compensation practice and we will tend to get work in workers compensation because we have this substantial practice and I suspect that corporate people out there in talking to each other from time to time you know our name will be mentioned, I am not saying that we have the most substantial practice, but when talking about areas like workers compensation, we have that sort of practice and we will, provided that it is properly serviced and properly done we will attract and continue to attract work. And in that regard we run seminars for clients and we will invite people who are not clients to seminars, if they request to come along to seminars, that is not done all that often, not monthly maybe once per year something like that would happen so we have been able to merge that and have a strong base in it. On the other side, stickling with litigation we tend to have what we call an insurance base, we do a lot of work for insurance companies, this might be professional indemnity type of work or accident type work and because we do that you tend to be used by insurance companies. In the commercial area it tends to be different, in the commercial area you tend to have a very general practice, a very general practice some people will end up with what I would call a corporate type practice and some people will end up with various work, some people end up with a*



---

*general practice and that is where I tend to sit although I do some work for companies I tend to have a wide client base of individual. People doing conveyances, wanting wills, drafting leases, selling shops, buying shops. I think in commercial you tend to be more of a general practitioner in this market, in this Tasmania market.*

*J Thank you for that. Next question. If a client comes seeking advice in an area you firm may be lacking expertise what you...*

*L We would send him somewhere else. We would send him somewhere else. We don't do criminal work for example and ahhhh that is not the best example because we just do not do that kind of work. We do not do matrimonial work for example and so I would refer the people to other lawyers. Probably a better example is where you are get asked for advice for say a fundraising in a public company for something which very rarely happens down here and in that case we would probably, whilst we could probably do it, we could probably engage someone to assist us, our inclination would be to send them off to someone who does do it, generally someone on the mainland or Melbourne who does that work. We will find some one who has expertise in the area, so it is not unusual for us to refer people on when we lack expertise.*

*J In what way do you believe that knowledge, being very general question, is shared within the firm. In what ways is it communicated.*

*L Ahh, alright, there is certainly within the firm there is no reluctance for anyone to share anything. Ok? The actual pragmatics of the sharing process is very much ad-hoc. For example if I have a particular legal problem and I will research that or I may get someone to research it for me and the method of disseminating that around the firm is very archaic and it would tend to be that I might give a copy of it to a couple of the partners in the area that I work in. It might be for breach of contract for example, I am just doing a thing at the moment where I have got a person trying to get out of a contract, I am getting an opinion from a law firm about that and when I get that opinion I will probably send it around to a couple of the partners in the commercial area but I would not bother sending it around anywhere else. Because what will happen is that if someone in our litigious area will have such a problem, and they are unlikely to, they would come and ask one of us. So we don't,... over the years we have tried to develop a very much better umm integrated system so that I could press a button here and get an opinion from ANONYMOUS on something to do with trade practices but we haven't got down to that level, we have talked about it. We are at the very moment, our librarian is trying to set something up. It is very archaic. It is very archaic.*

---

*J Does your practice ever work jointly, and we spoke briefly about this earlier when you suggested that you would take on someone with experience in the area, but with other practices within the state, interstate or international.*

*L Yeah, in Tasmania probably not, not work jointly, sometimes we have a client from say Launceston and we may send them to a firm in Launceston that we might just know, there is no direct real relationship. Umm certainly interstate a bit of that goes on. For example, the example I gave you before we have a public company wanting to do some public fundraising, the issuing of shares, so we engaged another firm and in a sense we worked jointly with them and it all come back to us. Internationally, no, pretty rare, pretty rare you will do the odd bit of work for somebody, you might get a letter from a lawyer in England who is tracking down a provision in a will for example someone who for some reason happens to have a Tasmania resident who is living over there and will have to do something. We will have, I mean I have a number of clients who live overseas, but I do not act for them in an overseas capacity, they just have brought property here or done business here or something else.*

*J You just look after their Tasmanian affairs*

*L Yeah, yes that is really all it is.*

*J As a legal professional do you find yourself socialising with other legal professionals*

*L I personally don't. Actually I believe at the end of a week the last thing I want to do is socialise, well I do socialise with some that just happen to be social friends and just happen to be. But people differ, what you will find is young practitioners will socialise together a lot and I know when I was young I tended to, you would go the pub on a Friday night, you would go to functions and things like that, but I don't tend to, no. In fact some of the partners, we will have dinner together, that sort of thing. But as a rule I don't socialise with other professionals. It is not that I don't want to, its just in a sense why would I? And really and I not sure to truly say, but I have said it a number of times, by the end of the week I have had enough of what I do and if I go mix with other lawyers all we do is talk about law again, I really don't want to talk about it.*

*J The second part of the question I think you indicated the answer there, do you find the conversation turns to matter of work*

*L Tends to, yeah tends and I probably, probably ...I do not mind doing that. If I go to a conference, probably happens when I go to a conference interstate, which I will*

*do every couple of years, I like talk to talk to other practitioners with similar sized firms, so that I can work out how they deal with the same problems in similar circumstances and but not tend to be about legal work as such, it tends to be more about 'what do you do in your firm with this, what scale of pay, how do you give people an up path, how do you structure partnership that sort of thing, I think that will find with young practitioners is that they want to talk about work, you know, I think you find that older practitioners don't want to. In fact if some one gives me a dose of trade practices or the GST [laughing] It is a real turn off, I am not interested.*

*J Yeah*

*L I want to know about it, but it is not what I want to talk about socially*

*J Moving along to the end nearly*

*L What indicators ... Umm ... Ahh ... We actually, talking about this firm we look at whatever surveys we can and there are surveys undertaken to do with the performance of law firms throughout Australia so we look at bench marks and that bench marking might be how much per hour is charged., it might be how many support staff per practitioner, it might be a breakdown of overheads and inevitably it turns out to budgets per practitioner, how many dollars and cents they have to churn out, in terms of fees and profitability per partner in partnership so there are some benchmarks of that and um so we look at that, we look at that and I am not saying that we analyse it in depth I am not saying that we might go away and do something about, but we are very conscious about it. The data that we provide for ourselves is reasonably sophisticated, we know a monthly basis how we are going so to speak we set a budget at the beginning of the year and we know month by month how we are going and set a target of where we are going to be at and how much each partner is going to earn. Because the partners of course just get a share of the profit they are not being paid a wage they just*

*J Profit share?*

*L Yeah they just get a share of the profit so if there is no profit the partners don't get anything. So we work all that out, umm and we know I mean we know that partners in large Melbourne firms earn three hundred thousand per year and we know that. We know that partners in a London firm are doing five hundred thousand per year, we know that. We also think we know what people locally roughly earn and we think that in bench marking terms we are pretty much on the mark. I suspect that it is getting easier for larger firms because it is not easy for us and it is getting harder for smaller firms. There is a lot of cost rationalisation*

*across the country probably appropriate, but I think we look at those benchmarks, umm not scientifically way, but we analyse them. See one of the things with a firm like this no one can really devote all their time to running the firm and I am a managing partner and I have got things happening this morning that I cant deal with because I have also got to churn out these [picks up time sheets] where as if get to a partnership of 50 people one partner can spend all his time running the firm, it is the only way to do things looking at it, but we are not trying to be scientific as that and things seem to be done a bit more on the run.*

*J The last one is I guess we talked bottom line dollars and cents being one of, you were suggesting, one of the strongest indicators, the firm also has tangible assets the people, customers, as a firm do you think it is possible to evaluate these things.*

*L I think it is, I think it is in a sense that I can look at the firm today and I can say in two years time there is really no reason why as long as we remain pro-active in the way that we run the firm and the way we deal with clients, there is really no reason why we wont be earning the same fess as we are earning today. I mean I guess the proof of the pudding in that is that it actually happens, but if you ask a new partner to come in you are asking them to pay some goodwill and goodwill is that intangible thing. Is there any particular reason why clients should keep coming in, is there any particular reason, because I suppose from a purely mathematical and logical point of view there is not particular reason why any new work should come in at all, because we don't contract with clients, they are not obliged to use us, it just tends to happen. But yeah I think you can, I think you can look at the history of the firm, see what the profitability is, what its fee base is and that's leaving aside what work in progress you might have and capital. So I suppose it is really looking at a trend of fees and if as to if there is some reason why that trend will want to continue and in our case there is probably no reason why it wont continue, the only reason would be if we took our eyes off the ball. I suppose it is possible for it to be disrupted if there was some big change to the law, we have a very large Workers compensation practice, if workers compensation was to change in some legislative way that could effect the practice. No, we tend to adjust to those sort of things.*

*J Thank you very much for your time*

*L You don't have any further questions*

*J No there aren't any further questions unless you have something you would like to add to that?*

*L No ...*

## APPENDIX 4 – THANK YOU LETTER

Jonathan Campton  
School of Information Systems  
University of Tasmania  
GPO Box 252-87  
Hobart 7001  
TASMANIA

Wednesday, 3 May 2000

LAW FIRM  
TASMANIA

Dear SENIOR PARTNER

I am writing to formally thank you for allowing me to conduct a series of interviews at FIRM. The data collected is still being collated and the research will be used in my Honours dissertation which is expected to be completed in the coming months. The importance of such research is high, as presently there exists a gross void in the literature on the use of knowledge management within the legal profession. The aim of this research is to add to the small amount of literature existing on the use of knowledge management strategies by legal professionals and encourage more forward thinking firms like yours into formalising their knowledge management strategy.

I would again like to thank you and extend my personal thanks also to RECENTLY RECRUITED LAWYER and LIBRIRIAN for participating in the interviews.

Yours sincerely

Mr Jonathan Campton  
Honours Student

Ms Leonie Thomas  
Honours Supervisor